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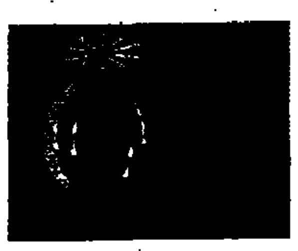

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World Business Newspaper http://www.FT.com THURSDAY AUGUST 29 1996

Hanson moves to promote sale of demerged stock

Hanson is to set up low-cost dealing facilities for small investors who want to sell their stakes in Millennium Chemicals or Imperial Tobacco Group after the demerger in October. The arrangements are designed to facilitate a wide-ranging reshuffle of share ownership that is expected to ensue from the four-way demerger of what was once Britain's most acquisitive conglomerate. Page 11; Lex, Page 10

Declaration due on Lloyd's offer: The Lloyd's of London ruling council is expected to declare unconditional the insurance market's £3.2bn ($4.9bn) settlement offer to its Names after acceptances exceeded 90 per cent. Lawyers for the US Names, whose court action had thrown the recovery plan into doubt in the past week, vowed to continue their fight. Page 6

Savings 'higher' from BP-Mobil merger: Cost savings from the proposed $5bn merger of the European downstream assets of British Petroleum and Mobil of the US could be substantially higher than the pre-tax $400-$500m originally envisaged. Page 12

Kohl urges end to Chechnya suffering

Helmut Kohl (left), German chancellor, has urged Boris Yeltsin to end the "terrible suffering" in Chechnya in a telephone conversation with the secluded Russian leader. Mr Kohl is to visit Russia next week. The nudge from Russia's best friend and most generous bankroller in the west failed to secure an unambiguous presidential endorsement of the peacemaking efforts of Alexander Lebed, head of Russia's security council. Page 10

Chirac attempts to lift French mood: The French political year got off to an eventful start with trade union leaders stepping up their attacks on the government and President Jacques Chirac urging ministers to "pull yourselves together". Page 2

Channel price war depresses Stena: A price war in the English Channel and ship capacity problems led to deepened first-half losses at Stena Line, the world's largest ferry operator. The Swedish group said its pre-tax deficit rose from SKr350m ($54m) to SKr560m and forecast a full-year loss of about SKr450m. Page 11

Nordic power restructure: A rapid round of restructuring in the Nordic power generation industry continued when Electricité de France, the French state utility, sold its 10 per cent stake in Sweden's Sydkraft to Statkraft, the Norwegian state-owned generator. Page 12

Sandoz and Ciba, two Swiss pharmaceutical companies, announced interim results and put up for sale part of their US crop protection and animal health businesses in a bid to win the agreement of the US Federal Trade Commission to their planned merger into Novartis. Page 11; Lex, Page 10; Results, Page 12

Row reignites over British beef exports: UK prime minister John Major faced the prospect of renewed civil war inside his Conservative party over Europe after European Union officials warned of inevitable delays in the lifting of the ban on British beef exports. Page 10

Italy delays reform of TV regulation: Italy's government put off until next January a decision on how to reform the rules governing television broadcasting. Page 2

Sale of Austrian retailer cleared: The European Commission gave the go-ahead for Rewe, the large Germany food retailer, to buy Austria's biggest retailer, Billa. Page 2

Top Hungary hotel bought by Japanese: Intercontinental, the Japanese-owned hotel group, won its year-long battle to buy the Forum, one of the last top-class hotels in Hungary to be privatised. Page 13

British Royal marriage officially ended: The 15-year marriage of Britain's Prince Charles, the heir to the throne, and Princess Diana has officially ended after divorce procedures were finalised by a court in London.

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STOCK MARKET INDICES		GOLD	
New York lunchtime		New York: Comex	
Dow Jones Ind Av ...5,705.72	(-5.55)	(Dec) ..$393.9	(394.0)
NASDAQ Composite ..1,151.48	(+2.47)	London:	
Europe and Far East		close ..$386.5	(388.95)
CAC40 ....2,082.80	(-15.09)	DOLLAR	
DAX 2,583.18	(+4.32)	New York: lunchtime	
FT-SE 100 ....3,918.7	(+13.0)	£ 1.55905	
Nikkei 20,708.81	(-200.46)	DM 1.4763	
US LUNCHTIME RATES		FFr 5.0873	
Federal Funds 5¼%		SFr ..1.19275	
3-mth Treas Bills: Yld 5.137%		Y 108.45	
Long Bond 97½		London:	
Yield 6.880%		£ 1.5583	(1.5557)
OTHER RATES		DM 1.476	(1.4777)
UK: 3-mo Interbank 5⅜%	(5⅞%)	FFr 5.057	(5.0557)
UK: 10 yr Gilt 97⅞	(97⅞)	SFr 1.1915	(1.1938)
France: 10 yr OAT 105.66	(105.81)	Y 108.405	(107.75)
Germany: 10 yr Bund ..99.12	(99.07)		
Japan: 10 yr JGB 99.8579	(98.9788)	Tokyo close:	Y 107.80
NORTH SEA OIL (Argus)		STERLING	
Brent Dated $20.61	(20.425)	DM 2.3015	(2.2967)

Albania	LEK 220	Gibraltar	£0.75	Lithuania	Lit 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh18	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3700	Oman	OR1.60	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Finland	FM15.50	Jordan	JD1.30	Poland	Zl 9.50	Tunisia	Din1.750
France	FFr12.00	Kuwait	Fils650	Portugal (m'land)		Turkey	L90,000
Germany	DM4.00	Lebanon	LL3,000		Esc240	UAE	Dh12.00

Early rate rise unlikely ■ Report shows fall in business confidence

Doubt cast on Japan recovery

By Gerard Baker in Tokyo

The prospect of an early rise in Japanese interest rates was effectively killed off and fresh doubt cast on the strength of the country's economic recovery with the publication yesterday of a key Bank of Japan report showing a fall in the principal barometer of business confidence.

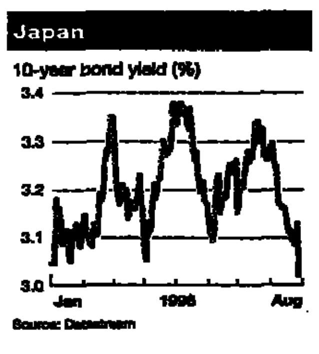
The bank's quarterly survey of short-term economic prospects or *tankan*, showed the first decline in confidence for a year among the country's large manufacturing companies. The tankan is considered by the bank to be among the most reliable indicators of immediate economic prospects and is one of the main influences on monetary policy decision-making.

The surprise fall led to a sharp rise in bond prices and a drop in the value of the yen as dealers marked down the prospect of an early increase in short-term interest rates. But equity prices also fell reflecting renewed uncertainty about the economy's overall health.

The report revealed that the main diffusion index for business confidence among large manufacturers – the difference between companies saying their business climate was improving against those saying it was deteriorating – dropped from minus 3 in May to minus 7 this month. In May, companies had forecast a gap of zero in August, anticipating rising demand. This has clearly failed to materialise.

Most other indicators in the report suggested the economy was continuing to improve, albeit at a very sluggish pace. Non-manufacturers reported an improvement in confidence, though it was less pronounced than had been forecast at the time of the last survey. There were also indications of small improvements throughout the economy in labour market conditions, in capital investment plans and in liquidity, with little evidence of any resurgence of inflation.

Japan



Source: Datastream

But the downturn in the most keenly watched indicator suggests that a tightening of monetary policy is unlikely without more concrete evidence of a strong and sustained recovery. For several months bond markets have been anticipating an increase in Japan's record low official discount rate of 0.5 per cent. But the official response to the survey yesterday suggested that was unlikely.

"Under current circumstances the BoJ has no intention of changing its economic assessment," said Mr Masayuki Natsushima, director of the bank's research and statistics department. "Judging from the overall data of the survey the economy remains on a mild recovery track."

The report will give further impetus to calls for another fiscal stimulus for the economy in the next month or so. The finance ministry has been opposing another package of extra spending measures for fear of exacerbating the country's fiscal condition.

Yesterday Mr Wataru Kubo, the finance minister, said it was still too early to tell whether an additional budget would be necessary. But the continuing weakness of crucial sectors suggests another injection of demand is likely. The growing probability of a general election within the next six months will do nothing to ease the pressure on the ministry to make it substantial.

The survey was conducted at the end of July and the beginning of August, when speculation of a rise in interest rates was at its height.

Lex, Page 10; Currencies, Page 17; World stocks, Page 28

Palestinian leader says Netanyahu's policies amount to 'declaration of war'

Arafat's strike call prompts threat by Israel

By Ilene Prusher in Jerusalem and agencies

Mr Yassir Arafat, the Palestinian leader, yesterday said Israel's policies amounted to "a declaration of war" on the Palestinian people and called the first general strike in the West Bank and Gaza in two years.

Mr Benjamin Netanyahu, Israel's prime minister, threatened to respond to the half-day strike, to be held today, "with severity".

Mr Arafat's attack follows a series of measures by Israel's three-month-old right-wing government which, he claims, have brought the Middle East peace process to the verge of collapse. Israel this week unveiled plans to build 900 new apartments in the Jewish settlement of Kiryat Sefer and on Wednesday it demolished a youth centre in disputed east Jerusalem.

In a further indication of rising Palestinian frustration, the popularly elected Palestinian Legislative Council called for a halt to contacts with Israel and the Arab League in Cairo appealed to the US, Russia and the European Union to help save the peace process.

Mr Arafat, president of the Palestinian Authority, asked Palestinians to show their discontent with Mr Netanyahu's policies on settlements and Jerusalem by holding a general strike throughout the West Bank and Gaza.

The strike is a symbolic political protest since most of the area is no longer under Israeli rule. Such standstills were commonplace during the Intifada, or the uprising against Israeli occupation.

Mr Arafat also called for all Moslems throughout Israel and the Palestinian territories to go to Friday prayers at the al-Aqsa Mosque in Jerusalem's Old City, Islam's holiest site, regardless of whether they hold permits to enter Jerusalem. Israeli travel restrictions prevent most Palestinians in the West Bank and Gaza from entering Jerusalem.

Mr Netanyahu condemned Mr Arafat's remarks as provocation. "The Israeli government will react with severity to any attempt to bring about an escalation of violence that could harm the peace process," his office said.

The rise in tension follows the effective stalling of the Israeli-Palestinian peace process.

Israel has maintained that no further progress on peacemaking could take place until PLO-affiliated offices are closed in east Jerusalem, which the Palestinians hope to have as their capital. Israel views the city as its united, indivisible capital, and Mr Netanyahu has insisted on keeping his campaign pledge to halt Palestinian inroads into Jerusalem.

World stocks, Page 28

Picture: AP

President Yassir Arafat attends a meeting of the Palestinian Legislative Council yesterday

Boost for Shanghai as Thai group plans new bank HQ

By Ted Bardacke in Shanghai

CP Group, Thailand's largest industrial conglomerate and the single largest foreign investor in China, has given Shanghai's Pudong area a major boost by establishing the headquarters of a new bank, inaugurating a motorcycle factory capable of producing 400,000 units annually, and announcing plans for at least $300m in new commercial real estate development.

Pudong, or East Shanghai, is a 500 sq km area that, despite a glut of real estate, is due to receive $36bn in government investment over the next five years. CP Group hopes that by supporting the central government's ambitions in Pudong, it will receive increased privileges for more than 100 joint ventures it is involved in throughout China.

The new bank, TM International, has no offices in Thailand and is thus the first foreign-owned bank to set up its headquarters in China, as well as the second foreign bank – Fuji Bank was the first – to establish its main branch in Pudong. By doing so, TM expects to be among the first foreign banks granted permission to lend and take deposits in local currency, according to TM's president Mr Virachai Virameteekul.

Mr Yin Jie Yuan, vice-governor of China's central bank, told Thailand's Crown Princess Maha Chakri Sirindhorn, in Shanghai to preside over the bank's opening, that Chinese officials were seriously considering giving such permission soon. TM International's banking licence already gives it the right to undertake local currency transactions as soon as those transactions become legal.

TM International, with registered capital of $100m, is a joint venture between three prominent Sino-Thai families: Ming-Thai Group of the Virameteekul family; CP and Chia Tai groups of the Chearavanont family; and Thai Farmers Bank of the Lamsam family. They hold hold 60, 30 and 10 per cent stakes respectively All three families are inter-related by marriage via their Thai-born offspring. The bank's main customers are CP Group's Chinese business interests, estimated to be worth at least $2.5bn.

The $70m motorcycle factory, a 50-50 joint venture of Shanghai Automotive Industry and CP Group's New York-listed Ek Chor Industry subsidiary, is the group's third in Shanghai, where it employs around 30,000. Despite falling

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Sweden 'may not join Emu at outset in 1999'

By Hugh Carnegy in Stockholm

Sweden may not be among the founding members of European monetary union at its planned start in 1999, it emerged yesterday.

Mr Eric Asbrink, the finance minister, said that joining Emu carried disadvantages as well as advantages, and that Sweden could delay a decision on membership.

His stance, outlined in a newspaper article, was supported by Mr Göran Persson, the prime minister.

Financial markets reacted immediately, seeing Mr Asbrink's comments as a retreat in the face of strong opposition to Emu among the ruling Social Democrats and the public.

Long-term bond yields rose by 100 basis points to 8.135 per cent and the krona weakened against the German mark.

"There will be opportunities for those countries that cannot or do not want to participate in monetary union from the start to join later," Mr Asbrink said.

"It is not a question of Yes or No to monetary union. It is more a question of Yes now, or No now."

Mr Asbrink also indicated there would be no early move by Sweden to fix the krona in the European exchange rate mechanism, as some had expected before the year end.

Joining the ERM had "no great significance," he said, as the system was "no longer a good indicator of exchange rate stability".

Mr Klas Eklund, chief economist at Skandinaviska Enskilda Banken and formerly an influential figure in SDP governments, said Mr Asbrink's comments were "confirmation that the government has adopted a wait-and-see attitude on Emu.

"There is strong popular sentiment against it and the government believes it can't afford the fight."

Mr Asbrink and Mr Persson

Continued on Page 10

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NEWS: EUROPE

Sale of Austrian retailer cleared

By Caroline Southey in Brussels

The European Commission yesterday gave the go-ahead for Rewe, the large Germany food retailer, to buy Austria's biggest retailer, Billa.

It said it had no "serious concerns" about the impact of the deal on competition since the acquisition would not lead to any additions in market shares.

Billa does not operate in Germany and Rewe has not previously been active in Austria.

The deal would also not lead to a dominant position by Billa in Austria, the Commission said, since the group faced strong competition from the Spar group, the country's second largest retail chain.

Brussels admitted that the takeover would improve Billa's competitive position by opening the way for joint purchasing with Rewe. But there were limits to Billa's ability to exploit better purchasing conditions, it said, since the group had to accommodate local consumer habits and preferences for brands in the Austrian market.

The Commission concluded that the deal would not lead to "serious competition problems from the point of view of an increase in buying power" although it planned to watch further concentrations in the retail sector, particularly where these led to increases in buying power.

Rewe, which last year posted sales of DM48bn ($32.2bn), is estimated to have paid more than DM1bn for Billa, which had sales of DM7bn last year and has a network of 1,600 branches.

The takeover reflects Rewe's need to look for markets outside Germany, where the retailing market, particularly in the food sector, is saturated. Austria has been a prime target for German retailers, such as DIY groups Horbach and Asko, in recent months.

Billa is Austria's biggest retailer, with 28 per cent of the market. The group also has branches in Hungary, Poland and the Czech Republic.

● The acquisition by the French retailer Auchan of Pão de Açúcar of Portugal was also cleared, AFX reports. The Commission noted that both had a significant Spanish presence but said the operation would have a significant impact only around Madrid and Burgos. The combined market share was not large anywhere and there were numerous competitors.

● The Commission said the acquisition of Compagnie d'Assurances Maritimes, Aériennes et Terrestres by a subsidiary of Assurances Générales de France did not fall within the scope of European Union merger regulations.

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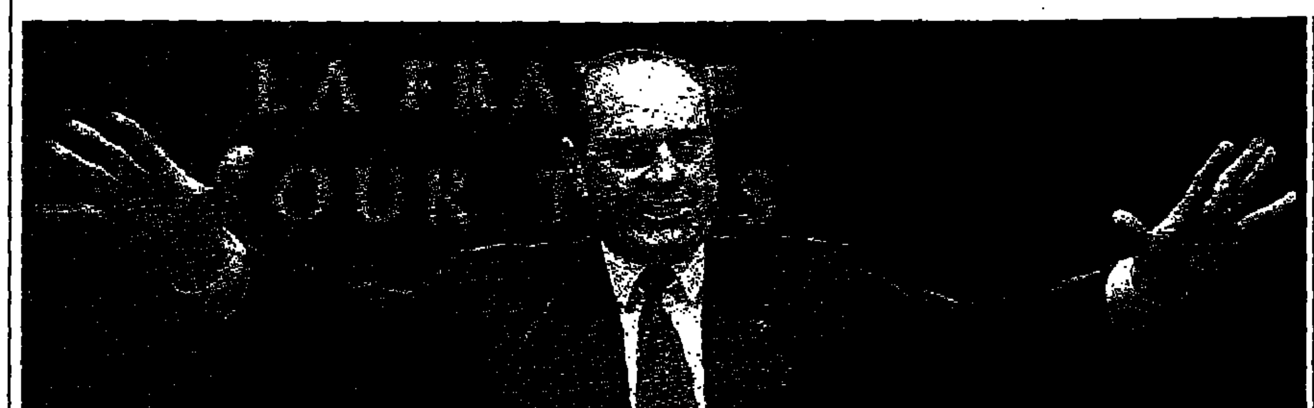
'Pull yourselves together,' president tells his ministers as France returns from holiday




Begone dull care. President Jacques Chirac wants fewer frowns and more smiles. He had to admit yesterday, however, that the country's social and economic situation remained "difficult"

Chirac attempts to lift the national mood

By David Owen in Paris

The French political year got off to an eventful start yesterday, with trade union leaders stepping up their attacks on the government and President Jacques Chirac urging ministers to "pull yourselves together".

As the country streamed back to work after the August holidays, Mr Chirac – himself back from the Riviera – encouraged his ministers not to contribute to "the general gloom".

He acknowledged, however, that the country's social and economic situation remained "difficult" in spite of the administration's best efforts. The government's return to work had been marked by gloom, he said. "And this is true – how could it be otherwise?"

His forthright tone was echoed by Mr Alain Juppé, the prime minister, who called on ministers to "change into top gear" on the issue of jobs, while admitting that the situation would "no doubt remain difficult in coming months".

Mr Juppé said: "We are at work in an attacking spirit." He confirmed that the government would unveil its plans to cut taxes "on or around" September 10.

But as the French cabinet met for the first time since the summer break, Mr Louis Viannet, secretary-general of the Communist-linked Confédération Générale du Travail, launched a scathing attack on government austerity measures. He blamed them for low growth and high unemployment.

Mr Viannet criticised the "forced march to [European] monetary union" at the expense of the workers. "France is literally suffocating under the dogmas of one-track thinking which continues unrelentingly to denounce the cost of labour as responsible for unemployment and to look for solutions which put pressure on workers, pensioners and the unemployed," he said.

His comments came as Ms Nicole Notat, secretary-general of the Confédération Française Démocratique du Travail, warned in an interview in Le Monde newspaper that a sense of "disenchantment" had taken hold in the country and that "the feeling of powerlessness or anger is gaining ground".

Evidence of this disenchantment came in a survey in another newspaper, La Tribune Desfossés, which suggested that the French fear a repeat this year of the wave of public-sector strikes that engulfed the country last November and December.

More than three-quarters of those questioned for the poll thought it probable that the country would be hit by a similar series of strikes this year. About the same proportion were pessimistic about prospects for the French economy over the next six months.

The government can ill afford a repeat of last year's crisis if it is to stand any chance of success in its attempts to cut its general financial deficit to 3 per cent of gross domestic product in 1997 in line with the Maastricht convergence criteria for European monetary union.

There is already growing pessimism about its ability to hit this target.

Refugee vote opens Bosnia poll

By Laura Silber in Belgrade

The election process yesterday swung into gear in Bosnia as refugees began voting and tens of thousands of ballot boxes, pencils and voting screens were loaded on to Greek army trucks in Sarajevo to be taken to regional centres in preparation for the poll on September 14.

But by mid-afternoon, the poll received its first blow when Bosnia's governing party, the Moslem nationalist Party of Democratic Action (SDA), urged refugees not to vote until a dispute over voter registration irregularities was resolved.

The Dayton agreement allows refugees to vote where they intend to live and this was used by Serb authorities to cement their war gains.

Tens of thousands of Serb refugees have been pressed to register in areas where Moslems once comprised a majority but which are now held by Serbs. This prompted the Organisation for Security and Co-operation in Europe, which is overseeing the Bosnian elections, to postpone the municipal elections.

Bosnian Serb authorities say they will go ahead with the municipal polls, but a local official said yesterday they were unlikely to be held on the same day as the national elections, as originally planned. The OSCE has made clear it will not recognise its results.

The mechanics of the elections, which will be overseen by 1,300 OSCE supervisors and some 900 international observers, are daunting. An estimated 2.9m Bosnians, more than half of whom are refugees or internally displaced, will be eligible.

At 4,400 polling stations, voters will have their hands stamped and examined under ultraviolet light to see if they have already voted. Those wanting to vote in another municipality will present Form 2; those voting in their pre-war residence will look for their names on the electoral lists.

OSCE officials are worried that this will cause long queues – and may lead to conflict when voters tire of waiting.

Voters all over Bosnia will vote for the three-member rotating presidency of Bosnia-Hercegovina and the parliament of Bosnia and Hercegovina – both aimed at unifying the country's two halves: Republika Srpska, the Bosnian Serb entity, and the Moslem-Croat Federation.

Republika Srpska voters will elect a republic president and a national assembly, while federation voters will choose a parliament and members of 10 cantonal assemblies. The six elections involve 27 parties, two coalitions and three independent candidates.

After the polls close at 7 o'clock the ballots will be sorted and then counted in 130 municipal centres. The OSCE estimates that a counting team of three people can count 950 ballots per hour.

Up to half a million refugee ballots will begin arriving on September 3 in Sarajevo to be mingled with the other ballots before counting begins, so no-one can assess how the absentees voted.

Election results will come out over the course of a week, being available first for the Bosnia-Hercegovina offices so that the process of building joint governing institutions can get under way.

The Provisional Election Commission will then certify the accuracy of results – and finally Mr Flavio Cotti, the Swiss foreign minister who holds the OSCE chair, will decide whether they were free and fair.

In the words of one western diplomat, however: "There is no way, after all this, that the OSCE won't certify these elections."

Refugee voting gets off to a slow start in a Belgrade polling station yesterday AP

Iliescu aims to make it three in a row

Romania's leader may be re-elected but his party may not, says Virginia Marsh

President Ion Iliescu, who has led Romania since the overthrow of the Ceauşescu regime in 1989, yesterday launched his campaign for a third term, vowing to stamp out corruption and lead the country's drive for Euro-Atlantic integration.

"Corruption is a scourge which can and must be stopped," the 66-year-old former senior Communist told government officials, prominent businessmen, factory managers and other invited guests at Bucharest's Palace of the Children.

The president, a former youth minister who is running on the ticket of the governing Party of Social Democracy (PDSR), said that Romania had to modernise to achieve Euro-Atlantic integration, its main strategic goal, and that the public sector would have to adapt to competition.

"Efficiency is the keyword for the whole of Romanian society," he told cheering members of the party, which opinion polls suggest may face its first defeat in parliamentary elections on November 3 – the same day as the presidential contest. Romania, which endured a highly repressive regime under dictator Nicolae Ceauşescu, is almost alone in the former eastern bloc in not having had a centre-right government since 1989.

Mr Iliescu, a one-time close aide of Ceauşescu who fell out with the dictator in the 1970s, is the PDSR's greatest asset.

A master of the grass-roots campaign, he has cultivated an image as a moderate, avuncular leader and, in a country of rampant corruption, is one of the few senior officials not accused of using his position for personal financial gain.

This has won him the respect of ordinary Romanians, especially conservative rural dwellers who make up nearly half the country's 23m inhabitants and are the bedrock of his and the party's support.

Opinion polls suggest Mr Iliescu will beat Mr Emil Constantinescu, the candidate of the centre-right Democratic Convention (CDR), Romania's main opposition group, whom he defeated four years ago. But they show the CDR ahead in the parliamentary race, with the centrist Social Democratic Union (USD) third, well ahead of the small, hard-line nationalist and neo-Communist parties which have kept the PDSR's minority government in power since 1992 but have tarnished the country's image abroad.

Mr Iliescu built the PDSR from the conservative wing of the National Salvation Front, the group that took power in unclear circumstances in December 1989 and won a landslide victory – like the president – in Romania's turbulent first post-Communist elections in May 1990.

The Front split in March 1992 a few months after miner-led riots, which many believe were orchestrated by Mr Iliescu and his supporters, toppled the government of Mr Petre Roman, the president's erstwhile ally, whom he accused of pursuing reform at a socially unacceptable pace.

The charismatic Mr Roman, who recently turned 50, is now running against Mr Iliescu for the presidency and heads the USD, which includes many of the technocrats who spearheaded reform from within the Front before the split.

The PDSR, a populist, left-of-centre party, has been trying desperately to boost its standing since performing poorly in June's local elections, the first nationwide polls for four years.

On Mr Iliescu's instructions the government has, belatedly, launched a campaign against corruption, making a few highly publicised arrests. It is also pushing through the final stages of a mass privatisation programme which hands out free shares to all Romanians.

It has also this month frozen the price of energy, bread and some other basic goods until the end of the year, taken emergency measures to secure energy supplies for winter, and ordered a 10 per cent increase in pensions from October 1.

But opposition parties are not finding it difficult to attack the government's record, especially on the economy. Despite recent increases in wages, especially in the state sector, statistics published yesterday showed that the average monthly take-home pay in July was less than three-quarters in real terms of take-home pay at the start of market-led reforms in 1990.

Inflation, which last year fell below 30 per cent for the first time in six years, has rocketed this year, partly because of huge agricultural subsidies and a decision to prop up two banks embroiled in corruption scandals. Economists say it may reach 40-50 per cent by the end of the year.

Opposition parties, whose internal squabbles have kept them from power in the past, say they will speed reform and give full rein to private initiative and foreign investment, which, at less than $2bn since 1990, is well below levels elsewhere in the region.

On election day, much will depend on the performance of the many small parties which polls show hovering around the 3 per cent threshold needed to get into parliament.

Prodi delays reform of TV regulation

By David Lane in Rome

Italy's government yesterday put off until next January a decision on how to reform the rules governing television broadcasting. It has frozen the current rules which allow Mediaset, the recently-floated television company controlled by former prime minister Silvio Berlusconi, to own three of the 12 national television channels.

In December 1994, the constitutional court declared some aspects of broadcasting legislation enacted in 1990 to be unconstitutional and gave parliament until Tuesday of this week to put the matter right.

Parliament failed to meet this deadline, and yesterday Mr Romano Prodi's centre-left government issued a decree providing further breathing space.

The court had recommended that the current ceiling of 25 per cent of national channels for any one company be lowered to 20. This would require Mediaset to dispose of a channel unless more were created.

The then rightwing government of Mr Berlusconi, who now leads the opposition in parliament, and Mr Lamberto Dini's technocratic administration which succeeded it, failed to find a solution.

Following yesterday's cabinet meeting, Mr Antonio Maccanico, the broadcasting minister, said the unanimous cabinet decision was not the result of an agreement with the opposition. Nevertheless, the decree is seen as a compromise aimed at easing the way for its parliamentary business in the autumn, particularly the 1997 budget and telecommunications privatisation.

Mr Roberto Maroni, a Northern League politician and former home affairs minister, described the decree as a shameful contract in which the opposition had sold its parliamentary role to protect Mr Berlusconi's business.

Mr Prodi said continuing the existing television licensing regime would allow time to enact reform in accordance with the court's decisions. But some opposition deputies were already claiming yesterday that the new deadline was too close, given parliament's busy autumn programme.

Until the cabinet decree yesterday, Mediaset risked action by magistrates to enforce the constitutional court's ruling by blacking out one of the company's channels.

Mediaset issued a brief statement saying the government had acted correctly. The company's shares, whose official price was L7,005 on 20 August, rose to L7,110 by the end of trading yesterday.

EUROPEAN NEWS DIGEST

Belarus edict hits imports

President Alexander Lukashenko yesterday decreed that 75 per cent of the goods on sale in all Belarus stores must be locally produced.

It was the latest in a spate of Soviet-style economic decisions which observers fear are pushing the country back towards a centrally-planned economy. The Belarusan strongman has nationalised many commercial banks and imposed stringent controls on foreign exchange operations.

The government news agency said Mr Lukashenko also planned to increase the tax on sales of imported goods from 10 per cent to 150 per cent. Locally produced consumer goods have been pushed out of the market by cheaper and better produced imports.

The reactionary economic policies of Mr Lukashenko, who enjoys a close relationship with the Russian government, have gone hand in hand with a reversion to the authoritarian political practices of the USSR. Earlier this week, two leading opposition politicians were granted political asylum by the US. *Chrystia Freeland, Moscow*

Unions want money back

Turkey's trade unions yesterday called on the government to repay all the money collected from them and employers in a compulsory savings scheme abolished by parliament early yesterday. The scheme, intended to boost investment, was instituted in 1988 in workplaces with at least 10 employees. Workers pay 2 per cent of their salaries and employers a further 3 per cent.

Union leaders and other critics say the scheme has been widely abused and has offered little in the way of returns. Analysts say the abolition will not be of any positive benefit to the economy as the government will have to repay workers and find alternative savings measures.

However, a government official said that ending the employers' contribution made by state economic enterprises would mean savings for the government, which has announced a series of measures to finance deficits.

The government has not provided figures on the size of the fund, but analysts say about TL430,000bn ($5bn) have been collected in principal and interest. *Reuter, Ankara*

German chemicals look up

German chemical companies are confident about prospects for the second half of the year, despite falling sales and weak domestic demand in the first six months, the industry association said yesterday. Mr Jürgen Strube, its chairman, attributed the optimism to expectations for continued growth in foreign revenue and an upturn in domestic demand.

Mr Strube, who is chairman of the German chemicals group BASF, said estimates from the association's 1,700 member companies showed that a "strong international orientation had proved the right course" in the first half. Total chemical sales fell about 5.5 per cent to around DM89bn ($60bn).

Exports rose 1 per cent to DM52bn, while imports dropped 2 per cent to about DM31bn. Domestic demand was well below the strong levels of a year earlier, prompting sharp falls in production of inorganic basic chemicals and plastics.

Mr Strube said the industry employed 521,000 in the first half, about 3 per cent down on a year ago. Employee numbers were expected to remain virtually unchanged in the next six months. *Sarah Althaus, Frankfurt*

■ German machinery and plant orders rose a price-adjusted 9 per cent in July from the same month last year, the industry association reported. Domestic orders climbed 5 per cent and foreign orders 13 per cent.

■ Leading members of the opposition Social Democratic party yesterday called for an end to military service in Germany, increasing the pressure for Europe's largest armed forces to follow other European armies, notably the French, which have decided to become professional.

Estonia set to try again

Estonia will hold the next round of an inconclusive state presidential election on September 20, parliamentary officers decided yesterday after three votes in parliament this week failed to give either the incumbent, Mr Lennart Meri, or his rival, Mr Arnold Ruutel, the necessary two-thirds majority.

An electoral college of all 101 MPs and and 273 local government representatives will be convened in an attempt to choose a president. Both Mr Meri and Mr Ruutel will automatically be listed as candidates but the election will also be open to new contestants backed by any 21 members of the college. The winner has to secure a majority within two rounds of voting otherwise the election returns to parliament. *Reuter, Tallinn*

■ Italy recorded a trade surplus of L4,333bn ($2.8bn) in June against L1,730bn a year earlier. Exports fell 3.6 per cent to L27,698bn and imports declined 13.5 per cent to L23,365bn. Large industry employment (covering companies with more than 500 workers) was unchanged in May from April but was down 1.5 per cent year-on-year.

■ France's industrial production, excluding food and energy, rose a seasonally adjusted 0.5 per cent in June. Overall industrial production fell 0.2 per cent after a revised rise of 0.8 per cent in May.

NEWS: ASIA-PACIFIC

Chairman Jiang puts together a new leadership

Tony Walker reports on the revival of Mao's title for the post-Deng era

Chairman Jiang Zemin may not have the same ring to it as Chairman Mao, but Chinese may soon have to get used to the idea of referring to their leader by a title which had seemed destined for the "dustbin of history", to use one of the late chairman's favourite phrases.

Indications that China may be moving closer to a new leadership structure with Mr Jiang, 70, assuming the role of chairman of the ruling Communist party are part and parcel of continuing efforts to put in place a collective to guide the country into the next millennium after the demise of Deng Xiaoping, China's supreme leader.

China's rulers, at their annual conclave held at the Beidaihe beach resort east of Beijing in the hot months of July and August, dwelt at length on personnel issues in their efforts to solidify the leadership for the challenges ahead.

Mr Deng, who turned 92 this month, is in failing health and his departure from the scene would almost certainly unleash cross-currents as various factions sought to assert themselves. Power struggles would expose signs of leadership brittleness. It is not clear how effectively the post-Deng collective would withstand internal pressures.

The revival of the somewhat tattered title of "chairman" (Mao himself was responsible for a string of policy disasters including the Great Leap Forward and the madness of the Cultural Revolution) smacks not necessarily of self confidence or of a forward-looking leadership. Rather it suggests an attempt to harness a brand-name from the past to serve the present and future.

Even Mao himself did not hold simultaneously the highest offices of state, party and military. Mr Jiang is president of the republic, general secretary, or leader, of the Central Committee of the Chinese Communist party, and chairman of the Central Military Commission.

Jiang (centre) has accommodated both hardline Li (right) and reform-minded Qiao (left)

Practical issues also played a part in the decision to revive the party chairmanship, and two vice chairman positions. Appointment to a vice-chairmanship represents a "face-saving" formula for the hardline Mr Li Peng, the premier, who is due to retire in early 1998. The party is, in effect, helping to find the 67-year-old Mr Li a job by setting up a new structure. The other vice chairman under the proposed new structure would be Mr Qiao Shi, 72, who is associated with the party's liberal wing.

Mr Qiao's continuing senior role is a sign the somewhat conservative Mr Jiang did not have things all his own way in Beidaihe. Mr Qiao, a former security chief, is generally regarded as part of the "loyal opposition". While Mr Jiang advocates a relatively slow "step-by-step" approach to reform, Mr Qiao has made no secret of his concern that the pace of change ought not to slacken too much.

But by and large the personnel changes to be endorsed by the 15th Congress of the Chinese Communist party to be held late next year seem favourable to Mr Jiang, whose so-called "Shanghai faction" appears poised to receive a further boost with the proposed appointment of Mr Wu Bangguo as premier to succeed Mr Li Peng.

Mr Wu, 55, a former party secretary of Shanghai, served under Mr Jiang when the latter was himself party secretary. Mr Jiang was instrumental in bringing Mr Wu to the centre and for engineering his swift promotion.

Other Jiang acolytes are also being rewarded with promotion such as Mr Ding Guangen, 67, the propaganda chief, who is tipped to become a member of the standing committee of the politburo, and Mr Shao Huaze, 63, director of People's Daily, the party newspaper, who becomes a politburo member.

Both have ensured that Mr Jiang receives the sort of blanket media coverage which would reinforce among the public an impression that China's leader is omnipresent. However, their decision to dust off the title of chairman to bolster Mr Jiang's credibility may not prove to be their most sophisticated manoeuvre.

Talks should resume between the Chinese mainland and Taipei, Mr Kao Ching-yuan, vice-chairman of President Enterprises, the foods group and biggest Taiwanese investor in China, said in Beijing yesterday, Laura Tyson reports from Taipei. "If relations are kept at a low ebb, Taiwanese businessmen will lose confidence because of increased risks," Mr Kao, a senior figure in Taiwan's ruling Nationalist party, told a seminar in the Chinese capital, where he is heading a business delegation.

Mr Li Lanqing, China's vice-premier, called on Taiwan to open direct sea and air links with China as soon as possible.

Anyone trying to place barriers on economic co-operation "is going against the will of the people on the two sides", he added, in apparent allusion to Taiwan's President Lee Teng-hui. Mr Lee recently urged a policy review of cross-strait investments, warning of economic dependency on China.

Final block on continued US troop presence is removed

Court orders leases renewed in Okinawa

By Emiko Terazono in Tokyo

Japan's Supreme Court yesterday ordered the governor of Okinawa to renew leases on land occupied by US troops, removing a final obstacle for the continued presence of American soldiers on the island.

The court turned down an appeal by Mr Masahide Ota, the Okinawa governor, against a lower court ruling earlier this year instructing him to renew the leases on behalf of Okinawan landowners.

Mr Ota had opposed the ruling on the grounds that the compulsory expropriation of land was unconstitutional. "I am dismayed the court did not hear any of our serious appeals," Mr Ota said after the ruling.

The government, eager to maintain the US-Japanese security ties as insurance against instability in a historically volatile region, had rejected the right of provincial authorities to block the leases.

Yesterday it welcomed the judgment. Mr Seiroku Kajiyama, chief cabinet secretary, said: "I hope Okinawa will take today's court decision into consideration and co-operate with the government."

Mr Itsuo Sonobe, the presiding judge, said though US military facilities were concentrated in Okinawa, the area only accounts for 0.6 per cent of Japan's total area. This did not mean the government's securing of land for the US military was unconstitutional.

The ruling comes ahead of a local referendum in Okinawa on September 8 on the future of the island's bases. Political analysts said the ruling could fuel anger among Okinawans who resent the concentration of US troops in their midst.

The small southern island is host to 28,000 of the 47,000 US troops stationed in Japan; and 75 per cent of overall US military bases in the country are located in Okinawa. Emotions over the US military presence flared after the rape of an Okinawan schoolgirl by three US servicemen last September, leading to a campaign to remove all the troops.

Consequently, nearly 3,000 of the 32,000 Okinawans who lease their land to the US announced they would refuse to renew leases. Their holdings represent around a tenth of the land used by the US military in Japan. Yesterday's judgment covered 35 out of a total of 3,000 leases in Okinawa.

To defuse local resentment, the US agreed in April to return land at present occupied by an air base on Okinawa. But while the US and Japanese governments agreed to transfer airport facilities to other parts of Japan without reducing the number of troops based in Japan, various municipalities on mainland Japan have since rejected requests by the Japanese government to act as a host.

New political group formed

By Gerard Baker in Tokyo

The third biggest party in Japan's coalition government splintered yesterday with the departure of its second most senior figure. Mr Yukio Hatoyama quit the New Harbinger party to form a new political group which could provoke a wider realignment of the political system.

The break-up came after the failure of last-minute talks between Mr Hatoyama and New Harbinger's leader, Mr Masayoshi Takemura, over the strategy the party should adopt in the run-up to a general election. The poll is likely to be held within the next six months.

A number of more liberally-inclined members of the broadly centrist party have been pushing Mr Hatoyama to aim for a tie-up with members of the second largest coalition party, the Social Democrats, a move about which the more conservative Mr Takemura is unenthusiastic.

Mr Hatoyama is now expected to press ahead with plans to attract SDP members into his ranks and form a new party as early as next month. A handful of other members of the New Harbinger party are expected to join.

They hope a much more widespread reshaping of political parties can now begin. Mr Hatoyama wants to attract members of the opposition New Frontier party into his ranks; significant changes are unlikely before the election, but his brother, Mr Kunio Hatoyama, a New Frontier member, has pledged support.

Many other New Frontier members are more likely to favour a reunion with their former colleagues in the Liberal Democratic party, to form a more solid conservative grouping. Mr Takemura said yesterday that, given Mr Hatoyama's decision to lead a breakaway group, "we could not find a third way".

The realignment does not immediately threaten the government of the prime minister and LDP leader, Mr Ryutaro Hashimoto, since even without all the New Harbinger party's deputies, the coalition has a sizeable lower house majority.

But if the new group is able to persuade a larger number of SDP members to join, the parliamentary arithmetic begins to get more complicated for the prime minister.

At present, the LDP has 206 members in the 511-seat lower house, and the SDP 63, while the full New Harbinger contingent until yesterday could muster only 23.

Manila tries to boost savings

By Edward Luce in Manila

In a bid to alter what many characterise as a "spend-as-you-earn" national culture, President Fidel Ramos yesterday created a national savings commission.

The aim is to boost Philippines' domestic savings to levels registered by its more abstemious Asian neighbours.

The move falls well short of creating the compulsory savings schemes pioneered in countries such as Singapore, but is intended to help lift the Philippines' savings rate of 19.4 per cent to the regional average of over 30 per cent of gross domestic product.

Government economists say the Philippines' relatively low investment rate (23 per cent of GDP last year) is heavily constrained by a propensity to consume rather than save. Others, notably Mr Lee Kuan Yew, Singapore's senior minister, have ruffled local feathers by blaming problems such as the low savings rate on the Philippines' "exuberant" democratic culture.

The new savings commission, which will be chaired by Mr Roberto de Ocampo, secretary of state for finance, will have the authority to create incentives to encourage people to save more in the formal banking system. The promotion of thrift banks, specially designed for small savers, and a national education campaign, will be part of his remit.

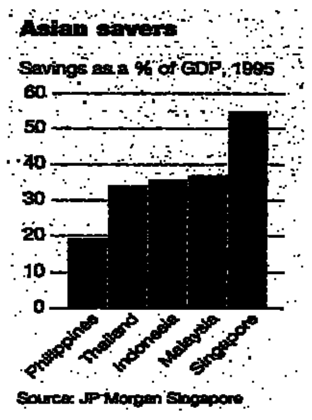
"The Philippines has gone quite a long way to creating an environment for higher domestic savings by establishing fiscal responsibility after years of irresponsibility," said Mr Bernhard Eschweiler, chief economist at JP Morgan in Singapore.

"There is nothing in its culture which suggests it cannot boost its savings rate. The astonishing real estate boom the country is going through suggests its savings rate may be underestimated."

Senior Philippine bankers, including Mr George Ty, head of Metrobank, the country's largest, say the savings rate is kept down by government-imposed constraints on bank lending.

These include a 15 per cent reserve requirement and laws which compel banks to lend 40 per cent of their portfolio to small businesses and the agricultural sector.

Economists say the other significant barrier to higher savings is the country's galloping population growth which, at 2.3 per cent a year, is much faster than the rest of Asia.



Source: JP Morgan Singapore

Foreign investment in Indian shares slumps after budget

By Tony Tassell in Bombay

Net foreign investment in India plunged in August following a lacklustre market reaction to the United Front coalition government's first budget last month. The budget displeased advocates of faster reform, who lost out to caste and rural interests represented by the 13 members of the fractious coalition government of the prime minister, Mr H.D. Deve Gowda.

Foreign institutions made net purchases of Indian shares amounting to only $27.6m in the first three weeks of August, according to figures released yesterday by the Indian market regulator, the Securities and Exchange Board of India (Sebi).

This is a sharp drop from the net investment of $302.4m by foreign institutions in July and $357m in June. Up until the end of July foreign institutions had made more than $2.4bn of net investment since the start of the year.

However, while foreign investor interest in the domestic market has slowed down, international equity and debt offerings by Indian companies still attracted a strong response over the past month.

Three companies – petro-chemicals group Reliance Industries, Industrial Credit and Investment Corporation of India, a finance house, and Tata Engineering and Locomotive – raised between them more than $655m over the past month through issues of global depository receipts or bonds.

The market appears divided on whether the decline in foreign investor interest reflects a diversion of funds to the international issues, the effect of August holidays or a deeper malaise in the domestic Indian share market.

Sebi yesterday also announced long-awaited reforms to the country's complex takeover laws, a significant step in the liberalisation of the market. The simplification of rules was welcomed by the market, which complains that existing laws are ambiguous, "totally chaotic" and represent a stumbling block to takeovers.

This was illustrated last year in India's first potentially competitive takeover battle in which Bombay Dyeing and Manufacturing, the Indian textiles-to-petrochemicals group, was refused permission by Sebi to make a rival offer to a bid by Torrent, a pharmaceuticals-to-power group, for a stake in Ahmedabad Electricity.

Justice P.N. Bhagwati, head of the Sebi review committee, said the proposals would make takeover regulations fairer and transparent while protecting the interests of shareholders.

Under the reforms, bidders will be able to acquire 100 per cent of a company; the ceiling is now 80 per cent. Conditional offers for a minimum of 20 per cent of a company will also be allowed. However, bidders will have to deposit 10 per cent of the offer amount in an escrow account during a bid. Mr Bhagwati said this would "discipline delinquent acquirers" to complete an offer on time and discourage "frivolous" bids.

The level of equity holding that would trigger a mandatory public offer has been maintained at 10 per cent. However, a new threshold of any "change in the control" of a company would also trigger a mandatory public offer.

ASIA-PACIFIC NEWS DIGEST

Auditors face Australian case

The Australian Securities Commission has won a Federal Court appeal, allowing it to pursue a court action against Deloittes Haskins & Sells/Deloitte Ross Tohmatsu, the international accountancy firm, in its role as former auditors of the Adelaide Steamship group. Adsteam, headed by Mr John Spalvins, was one of Australia's 1980s high-flyers. The ASC says five former directors and the former auditors failed to account correctly for loans and inter-company transactions in the 1990 accounts. As a result, it claims, the reported profit was overstated by A$518m (US$410m), and directors allowed dividends to be paid out in breach of fiduciary duties. *Nikki Tait, Sydney*

Megawati court deal fails

The ousted leader of the Indonesian Democratic party (PDI), Ms Megawati Sukarnoputri, failed to reach an out-of-court settlement with the government and political rivals yesterday, her lawyer said. The official Antara news agency meanwhile reported that the attorney general's office had secured President Suharto's permission to question Ms Megawati further in connection with riots in Jakarta on July 27.

Police have already questioned her twice over subversion charges against activists from the left-wing People's Democratic party, whom the government has blamed for the riots, the worst in more than two decades. Ms Megawati, daughter of Indonesia's late President Sukarno, was ousted as party leader in June at a government-backed rebel congress. The riots broke out after police raided PDI headquarters to eject Ms Megawati's supporters. *Reuter, Jakarta*

Philippine Moslem rebels die

Philippine troops killed seven Moslem rebels in a gunbattle yesterday on the eve of a final round of talks to end 24 years of war in the southern Philippines. The army said members of its elite Scout Ranger special force were on patrol in South Cotabato province when guerrillas of the Moro Islamic Liberation Front opened fire on them. The MILF is a breakaway rebel faction which seeks an Islamic state in the southern Philippines.

The clash came before the initialling in Jakarta tomorrow of a peace accord by the government and the mainstream Moro National Liberation Front (MNLF). The accord proposes the setting up an MNLF-led council to administer development in 14 southern provinces and the integration of 7,500 guerrillas into the Philippine armed forces. *Reuter, Zamboanga*

NEWS: WORLD TRADE

Mexicans defend right to invest in Cuba

By Leslie Crawford

Mr Stuart Eizenstat, the US trade envoy, met a frosty reception in Mexico yesterday as his attempts to defend the controversial Helms-Burton Act, which seeks to restrict foreign investment in Cuba, were firmly rebuffed.

Mr José Angel Gurría, foreign minister, warned the visiting US trade under-secretary that Mexico would counter the Helms-Burton Act with an "antidote law" defending the right of Mexicans to conduct business anywhere in the world, according to diplomats present at the meeting.

Mr Gurría also reminded Mr Eizenstat of Mexico's long-standing opposition to the US trade embargo against Cuba, and his support for Cuba's full participation in Latin American organisations.

Upon his arrival, Mr Eizenstat called on Mexico to defend democracy in Cuba by supporting the Helms-Burton Act. Mexican foreign ministry officials, however, said political evolution in Cuba was for Cubans to decide.

The controversial US law received another international blow this week when a panel of jurists from the Organisation of American States (OAS) unanimously ruled that the Helms-Burton Act "did not conform to international law".

The 34 members of the OAS permanent council are expected to discuss the unanimous legal opinion today.

President Bill Clinton has waived for at least six months a provision of the Helms-Burton law allowing US companies and individuals to file suits in US courts against "traffickers" in expropriated Cuban properties.

Unexpected decision creates chaos for foreign-owned assembly plants

Poland curbs car part imports

By Christopher Bobinski in Warsaw

Car producers in Poland have been thrown into chaos by the government's plan to limit car and truck assembly operations by foreign companies.

Under the new policy, the government has told existing car assemblers – including Fiat, GM, Ford and Volvo – that they can only continue to bring in components without paying duty if they obtain a special permit from the foreign trade ministry. Until now importers of assembled cars have had to pay a 35 per cent duty, while those who assemble 1,000 vehicles or more a year have been exempted from the dues on components.

The government has said there will be no duty-free permits for new assemblers, and all existing assembly operations will have to get special licences from January 1 1997.

They expect that this should reduce the number of assemblers from the 16 currently in operation.

The government plans to issue such licences to manufacturers which declare they will assemble more than 10,000 vehicles a year and, more crucially, treat the assembly operation as a step to full production in Poland or at least sourcing components locally.

The new orders have disorganised supplies of foreign components from abroad and is affecting the local operations of big producers like Fiat.

Poland: car sales

	Market share 1996 %	1995 %
Daewoo-Fso	20.6	28.1
Renault	6.9	4.9
Ford	3.0	1.8
Seat*	2.6	1.1

*Seat owned by VW
Source: Samar SC

Mr Giovanni Prato, head of Fiat Auto Poland, which makes its Cinquecento car in Bielsko Biala, warned that production would come to a halt unless the situation was resolved immediately. Fiat, which was caught by surprise by the order, is finding delays receiving components for the cars it produces as well as assemblies in Poland.

The change in the rules saw market entrants like Hyundai of Korea racing to bring in components for the assembly of its first vehicles by midnight of August 24, when the new rules were brought in. This entitles Hyundai to claim that assembly had started by that date and therefore apply for the duty exemption.

Universal, a listed Polish company which will be assembling the cars for the Koreans, has said it plans to produce 15,000 cars within the next 12 months.

Poland's car industry is currently dominated by Fiat of Italy and Daewoo, the Korean conglomerate. Daewoo is assembling its Nexia and Espero models in Poland as a step to full local production. Meanwhile GM, which already assembles around 10,000 Astra cars a year in Poland, is planning to start building a DM500m ($335.5m) factory in the autumn.

Poland's car market is expected to grow to 390,000 vehicles a year in 2001. The first seven months of this year have seen sales of 230,000 vehicles, or 33 per cent more than in the same period last year. Earlier estimates put demand for this year at 290,000 cars. Fiat had 43 per cent of the market in the first seven months, while Daewoo was in second place with 20 per cent.

Defiance pays off for bikini women

Leslie Crawford reports on the silent suffering of Mexican factory workers

It was a sunny Saturday afternoon, and the managers of American United Global, a Californian manufacturer of vehicle parts, had invited the Mexican workers of their subcontractors in Tijuana to a picnic.

The female employees were ordered to strip and take part in a "bikini contest". Stung by the humiliation, but fearful of losing their jobs, the women complied. The managers then videotaped the reluctant beauty pageant.

After the picnic, 118 employees filed a sexual harassment suit before Mexican courts. They were fired from their jobs. The US managers repeatedly refused to appear before a Mexican magistrate. Undeterred, the women took their grievance to a US court. They filed suit before the Los Angeles Superior Court, claiming severance pay owed to them under Mexican law. A few months ago, American United Global settled out of court.

"Thanks to the North American Free Trade Agreement, the Mexican employees of the assembly plant had access to a US tribunal," says Mr Jaime Cota, a Tijuana labour lawyer. "The issue would never have been settled in the women's favour in a Mexican court."

The case marked a rare act of defiance for Mexico's passive, and overwhelmingly female, labour force in the *maquiladora* (assembly) industry on the US-Mexican border. According to a report published this month by Human Rights Watch, the US human rights group, it is more common for Mexico's *maquiladora* workers to suffer discrimination and sexual harassment in silence.

In the report, Human Rights Watch charges that Mexican subsidiaries of US and Japanese corporations subject prospective female employees to mandatory pregnancy tests in order to screen out expectant women and deny them jobs. Pregnancy testing violates Mexico's labour code.

Human Rights Watch also accuses some *maquiladoras* of mistreating workers who become pregnant, forcing them to undertake heavy labour and work extra hours in contravention of Mexico's labour laws. "The punitive use of abusive working conditions often plays a role in forcing pregnant women

> Thanks to the North American Free Trade Agreement, the Mexican employees had access to a US tribunal

workers to resign," the report says.

Ms Dorothy Thomas, a director of Human Rights Watch, comments: "We are troubled that US and other corporations openly practise sex discrimination, and that the Mexican government allows this discrimination to flourish unchecked."

The *maquiladora* industry plays a vital role in the Mexican economy. Starting in the 1960s, US and Asian companies began locating along Mexico's 2,000-mile border with the US to take advantage of lower labour costs and a tariff-free regime for importing unassembled goods and exporting finished products. Today, the factories which assemble television sets and other goods employ more than 700,000 people and generate $30bn a year in exports – 40 per cent of Mexico's foreign earnings.

Following the devaluation of the peso in December 1994, Mexican wages in the *maquiladora* industry fell to below one-tenth of manufacturing wages in the US. Despite the huge differential, Human Rights Watch found that, as a norm, US companies in Mexico refused employment to pregnant women in order to avoid paying the 12-week maternity leave and other benefits mandated by Mexican law.

The human rights group said *maquiladora* workers, often the sole bread-winners of large families, were unwilling to challenge discriminatory practices because of the lack of alternative employment. Instead, female workers were more likely to conceal their pregnancies, even when their health was at risk, in order to keep their jobs.

Human Rights Watch called on the Mexican government to take action against *maquiladoras* which discriminated against pregnant women. It urged the US government to put pressure on Mexico to comply with its own labour laws. And it urged US corporations in Mexico to end the practice of pregnancy testing and the "harassment, intimidation and forced resignation of female employees who become pregnant".

No Guarantees: Sex Discrimination in Mexico's Maquiladora Sector. Human Rights Watch, 485 Fifth Avenue, New York, NY 10017-6104. Fax 001-212-972 0905

WORLD TRADE NEWS DIGEST

Music sales face slowdown

Sales of compact discs and cassettes are set to drop significantly in the world's largest markets, including the US, Germany, France and Japan. An analysis published today by *Music & Copyright*, a Financial Times newsletter, shows that wholesale sales in the 13 countries representing 80 per cent of the global music market rose 4 per cent, barely above inflation, to $11.8bn during the first half of this year.

The lull in sales poses a potentially serious problem for the multinational groups that dominate the global music market, historically one of the most profitable areas of the entertainment industry. The immediate impact of the first-half slowdown is softened by the fact that sales are at a historically high level after years of healthy growth in the early 1990s when the teenage population expanded in North America and Europe, and new musical genres such as rap, grunge and Britpop emerged. Record companies can also count on continued sales growth in the fast-expanding economies of Asia and Latin America.

Sales fell in France and Canada by 3 per cent and 8 per cent respectively during the first half of 1996, according to *Music & Copyright*, and barely kept pace with inflation in the US, Japan and Germany. Even the UK market, where retail music sales soared to a record £1bn ($1.55bn) in 1995 and rose again by 13 per cent in the first quarter of 1996, increased less than 2 per cent (below inflation) during the second quarter. *Alice Rawsthorn, London*

Brazil to scrap export tax

Brazil's lower house of congress has voted to abolish a value added tax on exports and investments in a move the government said would boost the country's trade performance and stimulate economic growth.

The tax, known as the ICMS, was introduced in 1967 and is collected by state governments at varying rates of up to 25 per cent. The change in the law late on Tuesday, which is expected to be endorsed by the senate this week and to take effect a month later, will cut states' revenues gradually as more goods and services become exempt over the next two years. Mr Clovis Panzarini, of São Paulo's tax office, said revenues in the state would fall by R$404m ($398m) in 1996 and by $1.5bn a year from 2000 if economic growth continued at current levels. He expected revenues of R$21.6bn this year. The federal government intends to pass R$3.6bn to the states in compensation in 1996, rising to R$4.4bn in 1999. *Jonathan Wheatley, São Paulo*

ICI opens Indonesian plant

ICI Surfactants Indonesia, an Indonesian unit of the UK's Imperial Chemical Industries group, shrugged off recent political turmoil in the country and opened a manufacturing site outside the capital, Jakarta. ICI said the expansion by its surfactants unit, part of ICI's Performance Chemicals was, "the beginning of much greater involvement" in the country.

Mr Rob Margetts, executive director, said political trouble in Indonesia had not affected the company's plans to develop projects worth more than $200m during the next three years. Concerns over Indonesia's political risk were heightened by anti-government riots which rocked Jakarta last month. Mr Margetts said ICI had carefully discounted this, and there was "an awful lot of good happening in the Indonesian economy". ICI also has plans to open a $24m paints factory. *Manuela Saragosa, Jakarta*

NEWS: INTERNATIONAL

Palestinians turn to protest as peace process dries up

The Palestinian Legislative Council's call for a halt to contacts with Israel, coming on top of Palestinian Authority President Yassir Arafat's announcement of a strike in the West Bank and Gaza – a measure not seen since the end of the *intifada* uprising – is evidence of the desperate state of the Arab-Israeli peace process.

Frustrated by the lack of progress on peace and by the hardline decisions of the new Israeli government, ranging from the expansion of Jewish settlements to the demolition of a community centre in Arab East Jerusalem, anger in the Palestinian community is rising. Mr Arafat yesterday defined Israel's stance as a declaration of war on the Palestinians.

The planned strike is particularly significant in the Palestinian psyche because it evokes a key form of protest used during the intifada between 1987 and 1993, when Israel and the PLO began hammering out an interim peace accord. Since the May election of the new Israeli prime minister, Mr Benjamin Netanyahu, who opposes a Palestinian state and has said he will not honour existing commitments to discuss the future of Arab East Jerusalem, many Palestinians have been talking of a new uprising.

Mr Arafat has been pleading with the international community to put pressure on the Israelis to resume the stalled peace process. Without much success, a beleaguered Mr Arafat even wrote an appeal to Israeli President Ezer Weizman, who agreed to meet Mr Arafat as Mr Netanyahu has so far refused to do so.

But, in the face of Israeli demolitions of homes, Israeli demands that the Palestinian Authority close its offices in East Jerusalem, expansions of Jewish settlements, and an indefinite delay in the promised Israeli redeployment from the West Bank town of Hebron, Mr Arafat seems to have run out of options that might show Palestinians he is bringing home gains from the Israelis.

Mr Mark Heller, a political scientist at Tel Aviv University, said Mr Arafat feared becoming the target of popular protest if he did not start taking a lead. Lack of progress on peace will benefit the Islamist Hamas movement, which opposes Mr Arafat's deals with Israel.

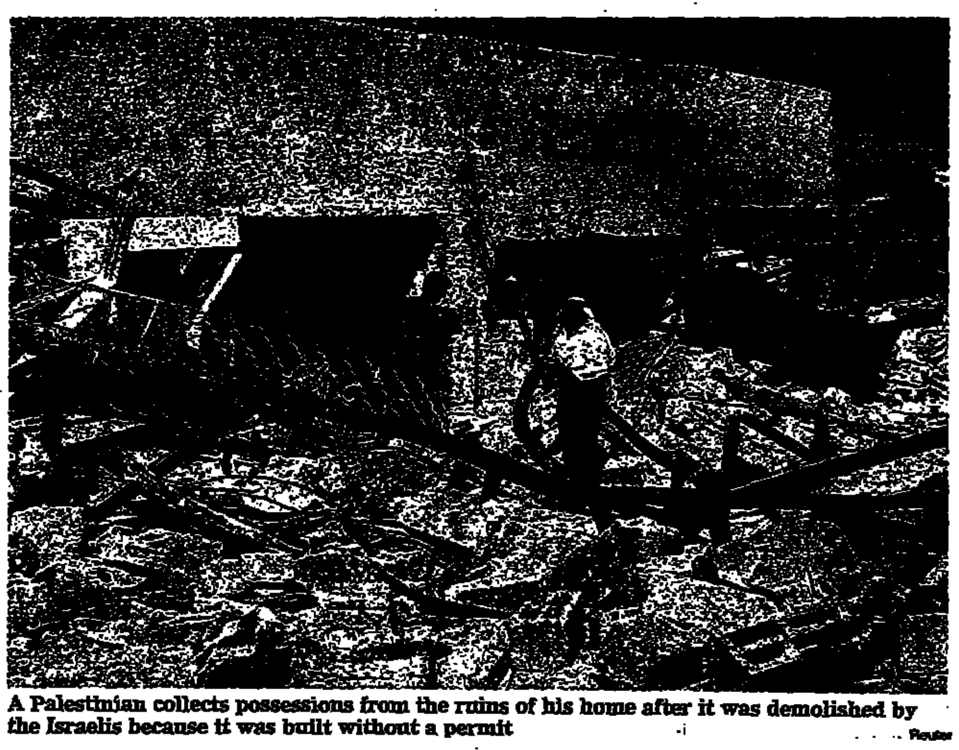
Mr Netanyahu has been treating Mr Arafat as though he will have to wait patiently until Israel can find a way to address its security concerns in the light of the 1993 Oslo accords with the Palestinians. But several Middle East analysts said yesterday the Israeli premier was in grave danger of miscalculating the state of sentiment among Palestinians. "The problem is that no one has developed a precise kind of thermometer to measure where the boiling point is, and Netanyahu may misread that point and wait too long, and then seriously have his back to the wall," said one.

Optimists held out hope that a meeting scheduled for today between Mr Netanyahu's political adviser, Mr Dore Gold, and Mr Arafat's envoy, Mr Abu Mazen, could produce a breakthrough that would help dissipate tensions before tomorrow, when thousands of Moslems without permits to enter Jerusalem might confront Israeli soldiers at checkpoints to attend prayers called by Mr Arafat.

Others who are less sanguine about the route Israeli-Palestinian relations have taken this week say such a meeting will have to produce something very tangible if a further deterioration and a return to violence are to be avoided. To cool off the current state of hostility, Israel would have to produce a package that might include a decision on Hebron, on a further easing of the closure of the West Bank and Gaza, and a date for the resumption of peace talks or a summit between Mr Netanyahu and Mr Arafat.

"This is not a slight detour," said Mr Ali Jarbawi, an expert on Palestinian affairs at the West Bank's Bir Zeit University. "It's very essential for Arafat to do something. From the beginning the only thing that kept the peace process alive is hope in the future, and if you kill that you kill the peace process." The strike and a possible march to Jerusalem, he said, "are a clear message to Israelis and to the world that Arafat is at this juncture: Either you help me, or things are going to deteriorate."

Ilene Prusher



A Palestinian collects possessions from the ruins of his home after it was demolished by the Israelis because it was built without a permit

Reuter

Further rift with Nigeria averted

By Paul Adams in London

Foreign ministers from the Commonwealth averted a further rift with Nigeria yesterday, agreeing to send senior officials to the capital Abuja after the army regime imposed restrictions on a proposed ministerial fact-finding mission.

The Commonwealth Ministerial Action Group said in London the officials would meet Nigerian counterparts tomorrow and Friday to discuss details and dates for a later visit by the ministers.

"We are sending officials so that our trip will be as productive as possible in the time available," an official said. The ministers will review the position at the end of September.

The Commonwealth suspended Nigeria as a member last November in protest at the execution of Ken Saro-Wiwa and eight other Ogoni activists, and set up an action group - to monitor progress to civilian rule and investigate the plight of political prisoners. But the Nigerian regime refused to allow the mission access.

The Nigerian government rejects the Commonwealth's right to monitor its three-year transition to civil rule. It reiterated yesterday that Abuja regarded any proposed visit as merely a precursor to Nigeria's readmission into the Commonwealth.

When the action group was denied access to Nigeria, sanctions were proposed, including a ban on sporting and air links and a downgrading of diplomatic missions, but a decision on this has also been postponed.

The Commonwealth has little leverage over Africa's most populous nation, but more powerful bodies, including the European Union and the US, have looked to the Commonwealth for a lead on Nigeria, which has alienated itself internationally with its treatment of opponents and extension of army rule.

Tragi-comedy of South Africa's jobs lottery

A quick wit and a lucky face help the unemployed secure much-sought-after work, writes **Mark Ashurst**

Employers overwhelmed by the deluge of job seekers in South Africa have resorted to lotteries and stand-up comedy to select the best candidates from thousands of hopefuls pursuing every new post.

New vacancies are so oversubscribed that Anglo American subsidiary NF Die Casting recently chose a horse racing stadium as its venue for a lottery to recruit 80 new staff. And the city's newest luxury hotel, the Rosebank Hyatt, claims to have chosen personnel on the strength of a quality rarely found in the South African service industry: a sense of humour.

A well-timed joke carries a special premium in a job market where the odds of success are about 1 in 1,000. More than 7,000 people applied for work at NF Die Casting last month, while the Hyatt received 20,000 written applications for just 200 vacancies.

According to official surveys, 33 per cent of South Africa's potential workforce is unemployed. But this figure counts as employed any person paid for a few hours of informal labour in the month prior to the survey. If the definition were confined to people working longer hours, or paying tax in the formal economy, the jobless total would be closer to 50 per cent.

This abundance is not, however, an embarrassment of riches for employers. In such desperate social straits, the task of recruitment is daunting, and can be fatal.

New workers at NF Die Casting were taken on only last month, weeks before work began on a new contract to export cylinder heads for Ford cars.The decision to hire at the 11th hour was a safety precaution after an earlier attempt was ambushed by armed gunmen.

On January 29, men wielding assault rifles opened fire on 2,000 jobseekers queueing outside the Johannesburg factory, killing eight. The motive remains a mystery, but there is consensus that fierce competition for jobs and trade union rivalry were contributing factors.

Anger among employees opposed to the introduction of new recruits, enabling round-the-clock operations at the expense of overtime payments for existing staff, has also been mooted as a source of strife.

"We analysed the process very carefully before advertising the posts again in July," says Mr Robert Smook, human resources director, who eventually opted for what he terms a "ballot" to select a short-list of 500 candidates. The winners subsequently take aptitude tests, reducing their numbers to a pool of 200 from which management makes a final choice.

"One of our greatest fears was that the violence in January was politically inspired. We have agreed the terms of the ballot with the unions and they monitor the process continuously. It's basically a lucky draw," says Mr Smook.

This elaborate process has been nicknamed "Zama, Zama" – the Zulu phrase meaning lottery – by local people. As a precaution, the ballot was held at the Newmarket Race Course in Johannesburg's southern suburbs, where the 7,000 applicants filed one by one through turnstiles under the scrutiny of riot police.

"Newmarket offered the stadium free of charge to the community which keeps them in business," says Mr Smook.

In contrast, recruitment for the Hyatt hotel sparked a surge in impromptu business among local entrepreneurs. Mr Robert Dawson, hotel manager, recalls driving to work on the day application forms became available to find "at least a thousand people" snaked around the new hotel.

A day later, the length of the queue had doubled after drivers of minibus taxis in Soweto advertised round trips to the hotel for R20 ($4.40) a head. Early arrivals recouped their investment by selling photocopied application forms for R15 to people at the tail of the queue.

The flood of applicants was no surprise. During the year it took to build the hotel, an average of 20 job seekers daily found their way to the manager's unmarked temporary office in the darkest corner of the building site. Mr Dawson was impressed by their entrepreneurialism, exemplified by the uniformed men patrolling his hotel car park. "Private security guards had hired themselves out to taxi drivers to stop people from pushing ahead of their clients in the queue."

In such a frenzied labour market, employers become reluctant to advertise jobs. But, says Mr Smook, "You can't just take people off the streets – you get accused of nepotism if you ask a guy on a production line to bring in his neighbour." Employers with multi-ethnic staff are also wary of relying on third parties for recruitment.

Both the government Department of Manpower and private agencies have a history of bias in favour of applicants from the same areas or ethnic groups as agency staff.

For all these reasons, the Hyatt sought staff with no previous experience – a decision which improved relations with nervous competitors.

"The other hotels were hostile, and terrified of poaching," says Mr Dawson. It was a labour-intensive route to go, but with the long nights of sorting 20,000 application forms now behind him, he believes the process will benefit a sector notorious for poor service.

The final recruits, chosen from interviews with more than 10,000 applicants, had only a few seconds to impress managers.

"Anyone who told a joke was instantly accepted."

NYSE PRICES

4 pm close August 2

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close August 2

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AMEX PRICES

4 pm close August 2

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ISS to sell 75% stake in loss-making US unit

By Hilary Barnes in Copenhagen

ISS, the Denmark-based international contract-cleaning group, has signed a letter of intent to sell 75 per cent of its loss-making US subsidiary, ISS Inc, to a company owned by Mr Michael Ashcroft, the colourful Florida-based British entrepreneur, ISS announced yesterday.

Relief was palpable at ISS headquarters near Copenhagen yesterday. "This is the best possible solution," Mr Waldemar Schmidt, chief executive, told the FT.

The group's existence was threatened by $146m in charges and provisions to cover false accounting, under-statement of self-insurance provisions and understatement of accruals over several years at ISS Inc in New York.

These items, plus the write-off of DKr1.2bn in goodwill in the US subsidiary, plunged the group into a first-half loss of DKr2.01bn ($350m) on turnover of DKr7.4bn and saw its equity capital slashed from DKr2.69bn at the end of last year to DKr729m on June 30, taking the equity-to-assets ratio to a dangerously low 13 per cent.

ISS Inc will be sold to a company controlled by Mr Ashcroft called Aaxis, a Canadian company with no present operations. Aaxis will be listed on the Montreal stock exchange. ISS will buy a 25 per cent stake in Aaxis.

But ISS Inc will continue to operate as before, using the same name and logo, and under the management of Mr Martin O'Halloran, the chief executive who was responsible for uncovering the financial scandal in New York.

Discussions are also taking place to consider placing ISS Brazil under the control of the North American company, with a view to creating an American regional group.

Mr O'Halloran joined ISS in 1989 from ADT, Mr Ashcroft's Anglo-American security, cleaning and car auction business, when three ADT companies were sold to ISS in the UK.

The deal with Aaxis, said Mr Schmidt, will "dramatically reduce" ISS's bank commitments. An internal debt of $185m to ISS in Denmark from the US company, as well as letters of credit worth $120m, will be taken over by the new company.

The agreement will also, he said, enable ISS to retain its global corporate identity, while the financial relief to the parent company will mean that the healthy parts of the business in Scandinavia and Europe will have the resources to expand.

A Copenhagen analyst who specialises in ISS agreed. "It's the best that could happen to ISS," he said.

Mr Schmidt has had little good news to report since he took over as chief executive on October 1 last year, following in the footsteps of ISS's legendary founder, Mr Poul Andreassen, who built the business up into the world's leading contract cleaning company with some 120,000 employees in Europe, Brazil, North America and Asia.

At the end of October he had to issue a profit warning, and in May he announced provisions of $100m to cover the discrepancies in New York, a sum which rose to $146m when the first half accounts were published in the middle of August.

Savings from BP-Mobil merger 'higher than seen'

By Robert Corzine in Stavanger

Cost savings from the proposed $5bn merger of the European downstream assets of British Petroleum and Mobil of the US could be substantially higher than the pre-tax $400-$500m originally envisaged.

Mr Lucio Noto, Mobil chairman and chief executive, said the figure used when the merger was first announced last February was based on the limited information the two companies could share during the early stages of the deal, which earlier this month received the go-ahead from the European Commission.

In an interview, Mr Noto declined to speculate on what the final figure might be.

But he said the two companies had identified "much more potential" for cost savings through asset rationalisation. This, he said, would not necessarily mean more job cuts than the 3,000 or so forecast last February.

He said there was no difference of opinion between BP and Mobil over the pace of the merger. "We both said let's go as fast as we can," he said, although there could be no "short cuts" in the process of consulting employee works councils in a number of continental countries.

The first three country partnerships out of a total of 40 are due to be set up by the end of the year. The pace of integration would then quicken, with the remainder expected to be in place by the end of 1997.

Under the deal BP will focus on refining and marketing, and will control the retail network. Mobil will concentrate on the lubricants side of the business.

Mr Noto said he expected to realise most of the cost savings next year. "We won't trap the whole prize in 1997, but we hope to trap the bulk of it then."

He dismissed industry speculation that Mobil and BP would find it hard to make such an ambitious plan work on the ground. "This merger was not invented in the board room," he said. Neither he nor Mr John Browne, BP chief executive, was willing to "let corporate egos get in the way".

Mr Noto confirmed that the European merger was a test bed for wider co-operation between BP and Mobil. "The real issue is to get the two cultures to work together. That will give us a clue to whether we could do more in future, and how we could do it."

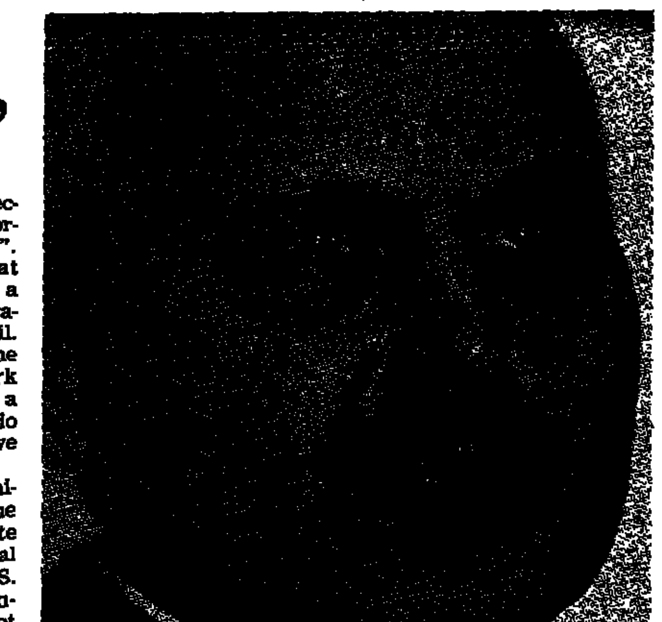
Speculation about a similar downstream tie-up in the US was unwarranted despite recent "hiccups" at several Mobil refineries in the US. Mobil's domestic downstream operations were not as "disadvantaged" as those in Europe.

Mr Noto said he was also confident that downstream investment in the US could eventually produce "double-digit" returns, although much would depend on future governmental policies.

Some industry analysts believe BP and Mobil could also co-operate more closely in refining and marketing in Asia. Mr Noto conceded that was something "we have to take a look at".

Alliances with other companies could also play a part in Mobil's upstream operations, especially in the new fields being discovered in the deep water off the US Gulf of Mexico where Mobil's position "is not as good as we would like it to be".

BP is heavily involved in the area but it has done so mainly through partnerships with Shell, the Anglo-Dutch oil group.



Ashley Ashwood

Lucio Noto: expects to realise most of the savings next year

Associate holdings lift Jyske Bank

By Hilary Barnes in Copenhagen

Pre-tax earnings at Jyske Bank, the fourth-ranking Danish bank, increased from DKr346m to DKr492m ($86.3m) in the half-year to June 30.

Profits from financial operations slipped from DKr1.41bn to DKr1.38bn. There was a significant increase in both advances and deposits, but the margin on interest business narrowed, said the bank.

Revaluation of capital interests in the Jutland-based bank's associated companies, which drew down earnings by DKr149m in 1995 but added DKr28m to earnings in 1996, was the main explanation for the improved first-half performance.

Bad-loss provisions increased from DKr158m to DKr166m, while operating expenses increased by about 5 per cent to DKr746m.

The market revaluation of the bank's securities portfolio added DKr159m to income this year compared with DKr178m last year.

The bank predicted that full-year earnings, before loss provisions and the market valuation of securities, would be in the upper region of a budget estimate of DKr600m-DKr750m.

● Tryg-Baltica, Denmark's leading insurance group, reported a decline in first-half profits after tax from DKr557m to DKr381m ($66.8m). Non-recurring income of DKr284m in 1995, compared with none in 1996, accounted for the decline.

Earnings before extraordinary items and gains on securities increased from DKr143m to DKr211m. The group reported a 14 per cent rise in premium income to DKr4.44bn, and forecast full-year after-tax profits about DKr550-DKr600m compared with DKr1.06bn in 1995, which included DKr600m in one-off gains.

Ciba and Sandoz disappoint before merger

By William Hall in Zurich

Ciba and Sandoz, the Swiss pharmaceutical groups in the process of merging to become Novartis, yesterday reported a disappointing set of half-year results.

Ciba's net profit rose 6 per cent to SFr1.6bn ($1.34bn), while Sandoz increased net income 12 per cent to SFr1.24bn.

The results, which are expected to be the last before the merger, were below expectations and in contrast to results earlier this week from Roche, Switzerland's biggest drugs company, which reported a 16 per cent rise in first-half net income, to SFr2.3bn, and Clariant, Sandoz's former speciality chemical business, which announced a 14 per cent rise in its first-half net income to SFr64m.

Sandoz experienced continued strong growth in its core pharmaceutical side, where sales rose 10 per cent to SFr3.85bn and operating income rose 15 per cent to SFr988m. In local currency terms pharmaceutical sales now account for 49 per cent of total sales compared with 40 per cent a year ago.

Pharmaceutical margins rose a full percentage point to 25.6 per cent, helped by strong volume growth and cost control measures. Ciba, which does not disclose sector profits at the halfway stage, reported a 6 per cent rise in its pharmaceutical sales, to SFr2.96bn. In local currency terms sales rose 7 per cent and sales of newer products, including the cancer drugs Aredia and Lentaron as well as the anti-asthmatic Foradil, more than doubled.

The fastest-growing part of Ciba's business was its agricultural division, where sales rose 13 per cent to SFr3.35bn.

By contrast Ciba's speciality chemicals business, which is to be spun off to shareholders, reported sales, adjusted for disposals, falling 2 per cent to SFr3.3bn.

The weakest part of Sandoz's portfolio was its nutrition business, where sales rose 3 per cent to SFr1.82bn (up 1 per cent in local currency terms) and operating income fell 14 per cent to SFr182m. The decline in margins partly reflects a management decision to increase the US market share of Gerber in infant and baby nutrition.

Ciba's total operating profits rose 3 per cent to SFr2.19bn on a 4 per cent increase in sales, to SFr11.4bn. A SFr40m decline in net financial expenses, to SFr76m, accounted for nearly half of the SFr96m rise in pre-tax profits, to SFr2.1bn. Sandoz's operating income, adjusted for disposals, rose 9 per cent to SFr1.63bn on sales of SFr7.87bn. Sales volumes rose 7 per cent and price increases accounted for 1 per cent of the 8 per cent adjusted sales growth. Sandoz's net income figure, like Ciba's, was helped by a SFr175m reduction in financial expenses, to SFr39m, and a virtually unchanged tax charge.

● Alusuisse, the Swiss aluminium, packaging and chemicals group, yesterday said it was cautiously optimistic for the rest of 1996 and was confident full-year results would exceed those of 1995, AFX News reports from Zurich.

The group, which was announcing a slight rise in first-half net income – from SFr197m to SFr207m – on sales static at SFr3.5bn, said it was confident about the full year "if current trading conditions continue ... and some stability is [regained] in the metals market".

Operating income rose from SFr322m to SFr334m.

EdF ends its involvement in Sweden's Sydkraft

By Hugh Carnegy in Stockholm

A rapid round of restructuring in the Nordic power generation industry continued yesterday when Electricité de France, the French state utility, sold its 10 per cent stake in Sweden's Sydkraft to Statkraft, the Norwegian state-owned generator.

EdF sold its shares to Statkraft for SKr2.84bn ($430m), ending a two-year investment in the Swedish group. The move lifted Statkraft's holding in Sydkraft to 15 per cent, bringing it alongside Germany's Preussen Elektra as one of the group's leading shareholders.

The deal was the latest in a series of multinational manoeuvres within the sector this year, following the deregulation of the Norwegian, Swedish and Finnish electricity markets. Generator companies from the three countries and elsewhere in Europe are jostling for position in the battle to build market share and secure future profits in a liberalised supply market.

EdF's decision to retreat from Sydkraft followed its move in April to secure control of Graninge, another Swedish producer. Yesterday's deal effectively ended a prolonged battle between EdF and Sydkraft for position in the Swedish market.

EdF bought into Sydkraft, one of Sweden's top three producers, in 1994 but was never regarded as a welcome partner and never won a place on the board. Sydkraft itself made a bid for a position in Graninge, buying a 20 per cent stake in April. But it was effectively sidelined by EdF when the French company forged an alliance with another shareholder.

Norway's Statkraft is one of the region's biggest power producers, with 9 per cent of the total Nordic market. With Sydkraft holding 7 per cent, it will see co-operation with the Swedish group as a big opportunity to expand market share in the biggest of the three Nordic markets. The two companies already have well-established contacts, including power supply exchanges.

Also yesterday, Imatran Voima (IVO), the biggest Finnish producer, tightened its control of Gullspangs Kraft by forging an alliance with a local municipality that is a fellow shareholder. The two together hold a 70 per cent stake in Gullspangs Kraft, which bought Skandinavisk Elverk from Incentive, the Wallenberg industrial company, for SKr4.2bn.

NEWS DIGEST

Koor rises 25.5% in second quarter

Koor Industries, Israel's largest holding group, yesterday said net profit in the second fiscal quarter of 1996 jumped 25.5 per cent from Shk152m to Shk191m ($61m). The rise brought net profit for the first half of 1996 from Shk339m in the year-earlier period to Shk392m, a 15.6 per cent increase.

Mr Benjamin Gaon, chief executive, attributed the first-half result to Koor's new strategy of focusing on its core businesses. Earnings were also strong "in view of the worsening of the business environment".

Koor, which accounts for more than 7 per cent of Israel's industrial output and export, focuses on telecommunications, hotels, electronics and agrochemicals. Earnings per share rose to Shk12.61 in the second quarter, up from Shk11.07 in the year-earlier period. Earnings totalled Shk25.89 per share in the second half, against Shk24.7 a year ago.

Operating profit rose to Shk643m during the first half of the year, up from Shk580m last year. Sales during the half reached Shk5.75bn, compared with Shk5.64bn a year ago, a 2 per cent increase. *Ilene Prusher, Jerusalem*

BolsWessanen falls mid-term

BolsWessanen, the Dutch food and beverages group, yesterday reported a 21 per cent decline in first-half net profit from Fl 67.9m to Fl 53.5m ($33.3m), on roughly unchanged sales of Fl 2.24bn. In line with earlier warnings, the profit included a one-off Fl 5.4m book loss in connection with the sale of its Strothmann spirits unit in Germany. Operating profit before financial costs and taxes fell 21 per cent to Fl 96.4m.

The company attributed the decline to a deteriorating performance at its cereals unit, lower margins on the US dairy operations, and lower exports of spirits. It said its new cheese brands were developing "according to plan" and saw growth in natural and speciality foods.

BolsWessanen forecast a decline in 1996 net profit of about 10 per cent, and said it expected extraordinary reorganisation costs in the second half to total some Fl 10-Fl 15m. The group's 1995 net profit was Fl 205.8m.

It also announced the purchase by its Crowley dairy unit of two companies in the US. Penn Maid Foods of Philadelphia, marketing dairy-based products under the Pennmaid brand, and Hagan Ice Cream, based near Pittsburg. The two companies have combined sales of $66m. BolsWessanen said the acquisitions were in line with a strategy to acquire dominant regional positions in its US markets. *David Brown, Amsterdam*

Hungarian move for Santander

Banco Santander, the Spanish banking group, has made its first foray into central Europe by taking a stake in Inter-Europa Bank of Hungary. It said it had already bought 5.3 per cent and intended to increase its participation to 9.9 per cent by the end of the year, for a total of about Pta700m ($5.6m). It described the operation as being "hand-in-hand" with Italy's San Paolo di Torino, which is Inter-Europa's main shareholder with a 32 per cent holding.

Despite its relatively small size, the operation marks a significant new direction in Santander's international policy, heavily geared to the Americas. It intends to set up a "Spanish desk" at the Hungarian bank to promote banking and trade-finance business with Spain and Latin America. In addition, Santander's German consumer finance subsidiary CC-bank, in which it recently bought out Royal Bank of Scotland's half-share, is set to open a representative office in Prague. *David White, Madrid*

Wolters Kluwer in US buy

Wolters Kluwer, the Dutch business, tax, and legal publisher, yesterday announced plans to take control of the professional publishing business of Little, Brown and Company, now a division of the Time Warner group in the US, but declined to provide financial details. The group said it expected to complete the transaction next month.

Little, Brown and Company specialises in medical and legal publishing in both print and electronic formats, Wolters Kluwer said. Its primary clients include medical, law, and tax professionals, as well as students. The professional publishing division has annual sales of $50m. The Dutch group claims a leading position in the US medical publishing field, where it is represented by Lippincott as well as by the Facts and Comparisons operation. *David Brown*

Credit Foncier shares suspended

Trading in shares of Credit Foncier de France has been suspended until further notice. Bourse authority SBF said the suspension will remain in effect until bourse regulator CBV has announced its decision on the bid by Caisse des Depots et Consignations, which has bid FFr70 a share for each Credit Foncier share on behalf of the government. Credit Foncier closed yesterday at FFr68.95. *AFX News, Paris*

Revamp at Metallgesellschaft

Metallgesellschaft said it will merge all of its engineering units into its Lurgi division in order "to co-ordinate its activities and make use of synergies". The company said the enlarged Lurgi division will comprise the three Lurgi units, as well as the Zimmer and Lentjes units. The merged division is expected to report sales of about DM4bn ($2.7bn) for 1996. *AFX News, Frankfurt*

Adecco hopes to lay the ghost of Blue Arrow disaster

Newly-merged group looks set to rival Manpower of the US in the temporary employment sector, reports **William Hall**

The history of cross-border mergers is littered with grand ideas that failed to live up to expectations. Hence there should be some scepticism when shares in Adecco, the temporary-employment agency formed from the merger of Adia of Switzerland and Ecco of France, start trading this morning.

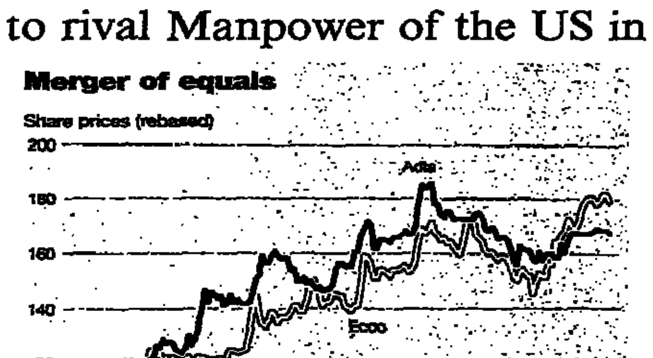
The last big international merger in the temporary-employment sector – Blue Arrow's hostile bid for Manpower in 1987 – was a disaster for Blue Arrow, an ambitious UK company which over-extended itself. The current combination, by contrast, is billed as a friendly merger of equals, driven by corporate logic, and designed to create one of the world's top two temporary-employment agencies.

Mr Klaus Jacobs, the Swiss financier who paid a steep price to rescue Adia in 1991, promises that the merger will unlock "substantial long-term value for the shareholders of both companies".

Nonetheless, the merger is complicated. For legal reasons, Adia, which is more than doubling its shares in issue, is taking over Ecco. But, for accounting purposes, the transaction is the other way round and, owing to the need to write-off more than SFr400m ($335m) a year of goodwill over the next five years, the new group will be reporting losses for the next couple of years at least.

Furthermore, the chairmanship of the new company will alternate every year, with Mr Jacobs, who owns 22 per cent of the enlarged equity, taking the chair first, followed by Mr Philippe Foriel-Destezet, 61, founder of Ecco. Mr Foriel-Destezet will be the biggest single shareholder with 28 per cent, the two men having signed a five-year shareholder's agreement.

Merger of equals



Source: Datastream

Rotating the leadership on an annual basis might be an ideal way to run a country like Switzerland. However, as ABB, the Swiss/Swedish industrial giant, has discovered, having one chairman is better, in the long run, than two.

Moreover, Mr John Bowmer, the group's highly regarded chief executive, will be based in Redwood City in California while the group's headquarters are in Lausanne, Switzerland, and the operational centre for western Europe will be in Lyons, France.

The new management team, drawn largely from the ranks of Adia, is convinced that this unwieldy corporate structure will present no problems. Nevertheless, the shares of the enlarged group have a lot to live up to. Adia's shares, the quoted vehicle for the new business, have risen by nearly a third since the deal was announced in early May and by more than 80 per cent since the start of the year. Adia has been the best-performing big share on the Swiss stock market this year.

The stock market's response to the deal has been driven by the belief that this is one of those mergers that cannot fail. Mr Frederick Hasslauer, of Bank Sal Oppenheim (Schweiz), describes it as a "one-off coup" and says that no other combination of mid-size operators in the temporary employment field is able to produce a company with such a global reach.

The merger has doubled the group's share of the estimated SFr100bn-a-year world market for temporary help to 8 per cent – roughly the same size as Manpower of the US, the market leader.

Ecco, the bigger and more profitable of the two companies, is leader in the French market, the second-biggest market for temporary employment services after the US. It also operates successfully in south-east Asia and South America.

Adia is number four in the US and market leader in the UK, Switzerland, Germany and Australia. The combined group will have annual sales of SFr7.7bn and net income of SFr222m.

The new group will have 2,300 branches and will be able to provide 300,000 temporary staff a day from its pool of 5m people. "Given the correlation of profitability to national market leadership, and the explosive growth of large corporate/cross-border contracts, growth prospects are bright," says Mr Hasslauer.

Mr John Bowmer, Adecco's British chief executive, says that the market for temporary employment staff tends to grow at four to five times the rate of GDP growth. He is particularly enthusiastic about its long-term growth prospects if the restrictive laws on hiring temporary staff are eased in big markets such as Germany, Japan and Italy.

Mr Hasslauer argues that the optimal growth environment for the temporary employment industry is a "deregulated temporary employment market combined with a regulated labour market". He believes that this is borne out by Adia's recent strong growth in the Netherlands and Spain.

Adia's net income in the first nine months of its current financial year rose 55 per cent to SFr51.8m. Ecco, which earns the bulk of its profits in France, has not released its latest profit figures but its first-half revenues rose 8 per cent.

However, the stock market's euphoria over the merits of the Adecco merger should not mask the fact that a large part of the business will still be geared to the business cycle: it will supply staff at times of peak demand. If the French economy, for example, were to go into recession, the long-term forecasts of double-digit revenue growth for Adecco could look ambitious.

The new group is now capitalised at SFr5.6bn and is trading on a multiple of about 25 times last year's combined earnings.

Mr Simon Marshall-Lockyer, of NatWest Markets in Zurich, calculates that the shares are now trading at an estimated premium of between 10 per cent and 20 per cent above Manpower. Switzerland's newest multinational has a lot to prove if it is not to disappoint its fans.

صكرا من الاجل

Diverse results for Australian mining groups

By Nikki Tait in Sydney

Pasminco, the Australian zinc and lead producer, yesterday produced one of the strongest performances among a clutch of the country's mining groups reporting their annual financial results yesterday. Overall, the results suggested diverse fortunes among the middle-ranking miners.

Pasminco posted an after-tax profit of A$40.8m (US$32.1m), compared with the 1994-5 figure of A$16.7m. Earnings before interest and tax were up from A$54m to A$88m, while sales totalled A$1.32bn, compared with A$1.22bn previously.

Pasminco said the tripled result reflected higher production volumes and lower unit costs, but it saw no benefit from metal prices, in Australian dollar terms. Zinc production was up by 116,000 tonnes, or 28 per cent, while lead production increased by 7 per cent.

The company warned the price outlook for zinc was "subdued", and relatively high stocks on the London Metal Exchange would probably limit the scope for price rises. However, it said the price for lead had been strong, and its outlook "continues to be buoyant".

In the gold sector the Goldfields group, which was formed to hold the gold interests of Renison Gold Fields and Pancontinental Mining, announced an after-tax profit of A$14.1m – or A$11.1m before abnormals.

This was well below the forecast made at the time of the Pancontinental takeover, although Goldfields had revised its prediction to A$10m-A$13m in April this year.

Goldfields also warned that its after-tax profit in 1996-7 would probably fall into the A$20m-A$25m range - again, well down on the A$30m-A$46m predicted during the Pancontinental battle.

The company said the shortfall was largely due to difficulties stemming from the commissioning of a plant upgrade at the Paddington mine in Western Australia, and by operating problems at the large Porgera gold mines in Papua New Guinea, in which it has a 25 per cent interest.

Newcrest Mining, the Melbourne-based gold miner, also reported a drop in after-tax profits, to A$20.8m compared with last time's A$42.4m. This was blamed on lower production from the Telfer and Boddington gold mines, with lower head grades affecting both mines. Output slipped by about 67,000 ounces to about 582,000 ounces.

In the current year, Newcrest said it expected a small increase in total output, to 586,000-590,000 ounces, but pointed out this would represent a significant increase from the Telfer mine, since the Ora Banda mine has now been sold, and would not contribute. It said the sale, plus efficiency gains at Telfer, should produce some improvement in costs.

The group – which tried to merge with the Normandy group earlier this year – said it was holding its Normandy stake on the balance sheet at its A$470.1m cost.

TVB hurt by slower growth in advertising

By Louise Lucas in Hong Kong

TVB, the Hong Kong-based broadcasting group, yesterday reported a 5.9 per cent drop in interim net earnings from HK$189m at the half-way stage last year to HK$177.96m (US$24.4m) for the six months to June 30.

The group suffered a squeeze in profit margins, and did not see the expected growth in advertising revenues - although advertising income was up on the same period last year. Around 80 per cent of TVB's profits comes from the domestic market, although management is aiming to expand its overseas operations to a level where they contribute 50 per cent of profits.

The pick-up in advertising, already under way, is expected to lift TVB - as well as other media stocks - in the second half. Advertising expenditure has bottomed out in the first quarter of the year, and the markets forecast full-year net earnings at TVB of $610m, a year-on-year rise of 25.6 per cent.

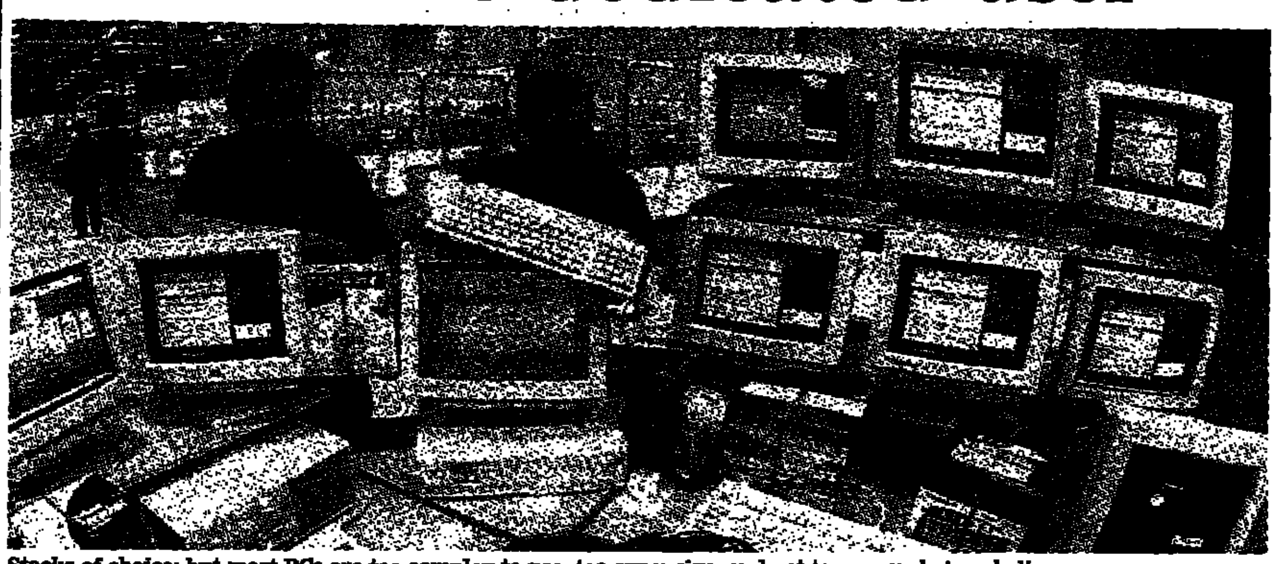
Apart from programme licensing, the company's main source of international earnings is now its Taiwan cable TV channel, which broke even in July last year and which, according to analysts, will contribute $30m in the current year.

Sir Run Run Shaw, TVB chairman, said the progress of the Taiwan channel was very encouraging. "Already by far the most successful cable channel in Taiwan, TVBS achieved profitability within two years of launch and clearly has a bright future," he said.

Analysts have mixed feelings about TVB's other international ambitions, which include projects in India, where they will meet competition from the likes of Star TV, the pan-Asian broadcaster owned by Mr Rupert Murdoch's News Corporation. However, TVB is seen as having a cost advantage. "Star is a bit bloated, whereas TVB is probably world class in terms of low-cost production," says one analyst.

TVB's earnings per share slipped 6.66 per cent from 45 cents to 42 cents, and the dividend is being held flat at 20 cents.

PCs for the dedicated user



Stacks of choice: but most PCs are too complex to use, too expensive, and yet too general, Acer believes — Trevor Humphries

Acer's information appliances will integrate computer and consumer electronics

Mr Stan Shih, chairman of Acer, believes he has an answer to the age-old problem of computer users who find their costly state-of-the-art machine has become yesterday's model just months after purchase, while knowing it has vast untapped capabilities.

It is a solution he is confident will secure the future of his company, Taiwan's largest computer maker with group sales of $5.82bn in 1995.

"I believe that what the customer needs is not the current style general purpose PC," he says. "There are so many people looking to own a PC, but it is too expensive, too difficult to use and too sophisticated for most people."

The impetus behind the concept is the precipitous drop in prices of semiconductor chips, the "brains" of the computer and its most expensive component, since last year. The price falls have stung the bottom line for chip-makers such as Acer – which yesterday halved its 1996 net profit forecast down to T$3bn (US$109m) and its sales forecast from T$80bn to T$68.5bn – but also offer opportunities to tap new markets as products become affordable to large numbers of new buyers. Simultaneously, computer manufacturers are finding that in spite of rising sales, competition has rendered profits ephemeral. "Why? Because a PC is a PC. There's no differentiation. So we have to change the business model."

Acer is developing a variety of "application-specific" computers (ASCs), varying in price from US$200 to US$1,000. The new products will be cost-effective, easy to use and simple to maintain, Mr Shih says. "The Acer philosophy is very simple – take the basic PC architecture, repackage it, then it can be enjoyed by more people."

A few years from now, computers will be more closely tailored to fit user needs. There may be 10 or 20 types of computers, or "information appliances", each designed for different uses in the home and office.

In five to seven years, Mr Shih predicts, annual worldwide sales of such "dedicated" computers will be 200m units, double the market of the conventional personal computer.

The dedicated computer will integrate different technologies such as wireless communication, voice recognition, voice synthesis or remote control. Acer is launching a host of new consumer-oriented products to prepare for a more segmented PC market. These include computer games machines, cellular telephones, network software, a wide-screen flat-panel display, CD-Roms, digital-video-disk equipment, a video phone and Internet-based products.

Acer is also moving into telecommunications, focusing on data and wireless. The company will join a bidding consortium for a licence in Taiwan's recently liberalised mobile telephone industry. But the focus will remain on equipment and applications rather than infrastructure.

Industry analysts say it will not be easy to break into the consumer electronics market, going head-to-head with Japanese and Korean giants such as Sony and Samsung. "Of course this is an exciting growth area, but you have tremendous inventory risk and the margins are extremely thin," warns Mr Derek Tien, an electronics analyst at Barings.

Mr Shih insists the company has not changed direction, but is rather creating the requisite "building blocks" for what is a natural extension of Acer's existing business.

"Many computer companies do not have the technology, or the manufacturing or component capability that we have, they are just selling the computer," said Mr Shih. "Many consumer electronic companies do not have a base in PC technology, which is core for these new applications. So we believe we should aggressively look into this new opportunity."

The strategy carries risks. "Acer has to be careful that new products do not eat up market share for other products, especially in the US," says Mr Boris Peterdik, head of research at BZW Securities' Taipei office. But analysts say Acer's competitive advantages are flexibility, speed, cost-effectiveness and production efficiency, as well as its technological strengths and ability to produce a full range of components and peripherals.

Acer's debut ASC is AcerBasic, a $500 personal-computer network computer with Internet access using television as monitor. Introduced in Taiwan in June, AcerBasic will be targeted at first-time buyers in developing countries. In 1997 Acer aims to sell 1m units, half in developing countries and half elsewhere for specialised uses.

Pitting Acer against traditional games manufacturers is AcerEden, an educational and games machine with Internet access. AcerEden will hit the market early next year at a target price of $499. AcerKid, a games machine for children aged two to six, will be released in 1997 for $199. Acer aims to have consumer electronics business bring in 15 per cent of total sales by the year 2000, when revenues are projected to hit $15bn. Ambitious as this goal is, profits will be even tougher to come by. Acer is diversifying at a time when the industry faces rampant price-slashing, oversupply and sluggish sales.

Acer's chip business, TI-Acer, contributed over half of profits for the past two years. These profits have been wiped out. Mr Shih concedes the first half of 1996 was grim, but says chip price falls will not hurt competitiveness because, unlike some competitors, building market share takes precedence. Acer ranked eighth overall in the US market last year, and third in the US consumer market. What it lacks in name Acer more than makes up for in nimbleness. The trick will be to preserve that agility as it stakes out its turf in the fast-merging computer and consumer electronics industries.

Laura Tyson

Lippo's founders may sell bank stake

By Manuela Saragosa in Jakarta

Concerns have arisen over whether the founding shareholders of Lippo Group, one of Indonesia's largest conglomerates, are selling their stake in the group's flagship listed company, Lippo Bank, following the announcement of a restructuring of the shareholdings of three of the group's listed companies.

Yesterday's announcement comes after the founding shareholders - the Riady family - sold 8.6 per cent of their stake in Lippo Bank in a private placement in February this year, a move which is believed to have reduced the family's stake in the bank to about 40 per cent.

The sale took place after shares in Lippo Bank and the group's listed property arm, Lippoland, were hit by rumours of cash flow problems. There is speculation, however, that the Riady family aims to sell a large part of its stakes and invest the proceeds offshore in order to hedge against political risk in Indonesia.

Under the restructuring, Asuransi Lippo Life, an insurance company, plans to raise its stake in Lippo Bank from 4.42 per cent to 45 per cent in a deal worth Rp657.83bn ($280m), while Lippo Securities will acquire a 27 per cent stake in Lippo Life in a deal worth Rp343.67bn, lifting its holding in the life insurance company to 32 per cent.

Officials at the group said the restructuring would create a "Rp10,000bn investment bank" with "tremendous synergies" between the three companies. In particular, it said, Lippo Securities' earnings would be boosted.

However, analysts believe the moves will effectively reduce the stake of the Riady family in Lippo Bank to nothing. Lippo Life said it would buy 40 per cent of Lippo Bank's shares from three companies - believed to be private holding companies for Riady family members - and from Mr Mochtar Riady himself, head of the family.

Meanwhile, the 27 per cent stake which Lippo Securities will acquire in Lippo Life will be bought from Lippo Asia, a company which analysts say is an Indonesia-registered private holding company for the Riady family. "The private side of the group will receive Rp900bn from the sales," said a Jakarta broker.

The reorganisation "does not create a financial holding company as such, in that none of the three companies consolidates figures of any of the others," said Mr William Keeling, a Jakarta-based representative for Kleinwort Benson Securities.

There has also been unease that the prospectuses for rights issues at Lippo Securities and Lippo Life earlier this year did not mention that the cash raised would be used for the reorganisation.

The changes are being put before a shareholders' meeting on September 27.

NEWS DIGEST

CompuServe spin-off delayed

H&R Block, the US tax preparation and financial services company, is delaying the planned spin-off of its CompuServe online service to shareholders because of losses at the company and uncertainties in the online service industry. In April, Block sold 20 per cent of CompuServe, which is the second largest online service in the US, to the public. Shareholders were to have voted at next month's annual meeting on whether to separate the remaining 80 per cent but Block's board yesterday withdrew that proposal from consideration.

CompuServe, reported a loss of $17m, or 19 cents a share, before a one-off charge, in its first quarter to end-July. At that time the company said it expected to record a loss of 10 to 15 cents a share in the second quarter.

The delay comes amid a difficult time for the online industry. America Online, the largest online service in the US, earlier this month reported that subscriber growth slowed in the fourth quarter ended June 30.

Mr Jonathan Cohen, an analyst at Smith Barney, has expressed concern about the prospects for proprietary online services such as CompuServe and AOL in the face of increasing competition from companies offering direct access to the Internet. Direct Internet access providers are often less expensive for heavy users because many charge a flat fee rather than billing customers for the time they spend online.

Shares in H&R Block fell $1⅝ to $26⅞ in early trading yesterday, while CompuServe shares, which were sold for $30 in April, added $1⅛ at $13¾.

Block said the board had not set another date for the vote but that it would closely monitor industry conditions. *Lisa Bransten, New York*

Digital to float Internet arm

Digital Equipment, the US based computer group, said it would spin-off its Internet division, AltaVista Internet Software, in an initial public offering worth up to $50m. Neither the number of shares to be offered, nor their, price, has yet been revealed.

Following the public offering, Digital said it would own at least 80 per cent of AltaVista's common stock and all of AltaVista's Class B shares which carry three votes per share compared with one vote per Class A share.

Digital hopes to take advantage of a continuing high level of interest by investors in Internet companies to generate capital that it will use to fund product development and market its products.

Digital has developed AltaVista into a brand name that extends beyond its search engine and includes Internet software products that offer security, e-mail and Intranet applications. AltaVista has also helped to showcase Digital's computer systems which use its high performance Alpha microprocessor. *Tom Foremski, San Francisco*

Philip Morris raises dividend

Philip Morris, the biggest US tobacco company, yesterday rewarded investors who had stood by it during recent crises by raising its dividend 20 per cent, from $1 to $1.20 a quarter. It was the latest in a long series of big increases: the dividend has grown at a compound average annual rate of 20.4 per cent.

However, the stock was down $⅜ at $91⅞ at lunchtime yesterday after Dayton Hudson announced that its Target discount store chain, the fourth biggest in the US, would stop selling cigarettes. Dayton Hudson said the move was "strictly a business decision" caused by low margins on cigarette sales and a high rate of loss through theft.

Earlier this month Philip Morris's stock price plummeted from $105⅞ to $86⅞ after a Florida jury awarded $750,000 in damages against Brown & Williamson Tobacco, the third biggest US tobacco company, in a lawsuit brought by a lung cancer patient. Last week President Clinton announced tough new restrictions on cigarette advertising and sales as part of a crackdown on under-age smoking. Some analysts had thought that Philip Morris might increase its dividend by as much as 25 per cent in an attempt to lift its stock price, but some of the pressure lifted last week when the tobacco industry defeated a closely-watched lawsuit in Indiana. *Richard Tomkins, New York*

Fletcher profits up 5.6%

Fletcher Challenge, the New Zealand forestry and energy group, increased second-half consolidated group profits by 5.6 per cent from NZ$464m a year ago to NZ$490m (US$339m) in the year to June 30. Directors said that a decline in earnings from both pulp and paper markets was "significant". However over the year increased cash flows from energy more than offset lower earnings from the other three subsidiary companies, Forests, Paper and Building.

During the past year the Energy, Paper and Building divisions have been spun-off on world markets.

Fletcher Challenge Forests was listed in 1994. *Terry Hall, Wellington*

Burns Philp slumps 28%

Burns Philp, the Australian food ingredients group, yesterday announced a 28 per cent slump in after-tax profits in the year to end-June, making A$74.8m (US$58.8m) before abnormals, compared with A$104.1m a year ago.

After a A$136.6m abnormal charge – largely to cover asset writedowns and provisions and already foreshadowed to the stock market – Burns was left with a A$61.8m loss, compared with last time's A$115.1m profit.

The company said that trading profits were 16 per cent lower, on sales of A$2.04bn, virtually unchanged from the previous year. It admitted the results were "clearly disappointing", and said that attempts to improve efficiency – including physical consolidation of some operations and management changes – had been made. *Nikki Tait, Sydney*

ASX to levy listing fee

The Australian Stock Exchange is to add a 3 per cent levy to annual listing fees in 1997 and 1998, with the estimated A$1m raised going to fund efforts to harmonise the country's accounting standards with International Accounting Standards. Mr Richard Humphry, the ASX's managing director, said that "numerous companies" had expressed concerns about the problems of meeting different standards, and indicated "overwelming support" for the project. *Nikki Tait*

Top Hungary hotel bought by Japanese

By Virginia Marsh in Budapest

Intercontinental, the Japanese-owned hotel group, yesterday won its year-long battle to buy the Forum, one of the last top-class hotels in Hungary to be privatised.

APV, the state privatisation agency, said it had agreed to sell a 95 per cent stake in the Budapest hotel for $49.1m and that Intercontinental, which already manages the Forum, had undertaken to invest $11m in modernising the hotel and upgrading it from four to five stars within three years. Employees and management are to be offered the remaining 5 per cent.

APV's decision, after a closed tender, is the culmination of several attempts to sell the Forum and the HungarHotel chain, now known as Hungaria, to which the Forum, located on the banks of the Danube, formerly belonged. Hungaria was last week awarded to rival chain Danubius which offered $53m for an 85 per cent stake, pending the approval of the competition office.

Holiday Inn and Daewoo of South Korea were also invited to bid in the tender.

Optus records first full-year profit

By Nikki Tait in Sydney

Optus Communications, the Australian telecommunications group which is looking for a stock market flotation later this year, yesterday unveiled its first full-year profit, making A$60.3m (US$47.5m) before tax.

In the previous 12 months, the company – formed less than five years ago to be Australia's second national telecoms carrier - produced a A$17m loss.

The improved figures, for the period to the end of June, reflected continued strong growth, with Optus's revenues climbing 36 per cent to A$1.94bn. The company competes with the government-owned Telstra group in the long-distance market, and is one of three carriers licensed to supply mobile services.

Optus said long-distance revenues were up 34 per cent at A$810.8m, with market share at 16 per cent. On the mobile side, service revenues were 55 per cent higher at A$765.4m, although mobile equipment eased 7 per cent to A$129.2m. The business network services unit, which caters for corporate and public sector customers, saw a 59 per cent revenue gain, to A$233m.

Total operating costs increased 20.3 per cent, to A$1.49bn. Slower cost growth was helped by the carrying of more calls on Optus's own network: payments to other carriers, at A$665.3m, accounted for 34 per cent of revenues, down from 40 per cent last time.

Earnings before interest, depreciation and amortisation more than doubled to A$455.5m.

Capital expenditure was A$661m, and the company also has A$372m directly invested in the Optus Vision cable joint venture to carry local telephony services for Optus. Interest charges were almost doubled at A$102m from A$57m, largely to fund these investments.

Mr Zygmunt Switkowski, chief executive, said plans for a stock market float this year were on course. He said 600m-800m shares would probably be offered. About 500m would come from Mayne Nickless (which has already said it would dispose of its 25 per cent stake), while the company would probably sell 100m-200m to raise new funds.

It is still unclear what shares – if any – will be sold by Optus's other current shareholders. They include the UK's Cable and Wireless, and BellSouth of the US. Analysts have suggested the carrier could be valued at A$3.5bn-A$4bn.

Siam Cement ahead despite slow second quarter

By Ted Bardacke in Bangkok

Siam Cement, Thailand's largest industrial conglomerate, reported consolidated net profit for the first half of 1996 up 13 per cent on the same period last year to Bt4.34bn ($172m).

Consolidated net profit for the second quarter rose 1.2 per cent year-on-year to Bt1.7bn.

Despite the sluggishness of second-quarter earnings, analysts said the results were better than expected, especially in the core cement business, building materials and joint ventures in electronics and vehicle parts manufacturing.

Mr Chumpol Na Lamlieng, president of Siam Cement, said world and regional prices for many of the company's basic industries, such as petrochemicals, steel and paper, had been at their worst in the second quarter but had already picked up. "The fact that we have maintained our net profit steady throughout a quarter when prices were at their lowest position makes us have a positive outlook for the rest of the year," Mr Chumpol said.

Margins on consolidated sales fell to 24 per cent in the first half of the year, compared with 31 per cent in the same period in 1995. However, net cash provided by financing activities more than doubled to Bt11.8bn. Interest on this cash, much of it borrowed cheaply from overseas but converted to Baht and deposited at high domestic rates, helped smooth out earnings. One-off earnings from land sales also helped keep profits up, analysts said.

Mr Chumpol said he expected General Motors to complete a deal to purchase land for its new assembly plant in Thailand – Siam Cement is one of two companies negotiating to sell land to the US carmaker - in September or October.

He said there were no talks with GM about Siam Cement taking an equity stake in the carmaker's assembly operations.

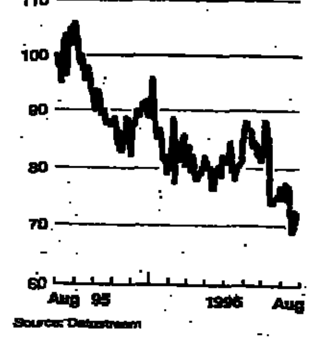
Siam Cement's steel business, which accounts for 11 per cent of the company's revenue, continues to be a money loser.

Mr Chumpol said anti-dumping tariffs on some imported steel products introduced last week by the Thai government would help the steel business "approach a break-even point" but that profitability for the sector would depend on a pick-up in world prices.

Despite rising sales, ceramics and petrochemicals contributed very little to the company's bottom line, Mr Chumpol said. Nevertheless, he said, the company was on track to invest about $2bn over the next five years on expanding petrochemical production.

Siam Cement

Share price relative to the Bangkok SET index



Source: Datastream

COMPANIES AND FINANCE: UK

Fund buys into 'diabolical' Hambros

By Nicholas Denton

Regent Pacific, better known as a vulture fund bidding for distressed investment trusts, has bought 3 per cent of Hambros and put pressure on the UK merchant bank to improve its "diabolical" record.

The aggressive Hong Kong-based investor, run by Mr Jim Mellon and his father Sir James, notified Hambros yesterday about the stake and called for a meeting to discuss the bank's strategy.

"Hambros appears to us to be an undervalued and undermanaged enterprise," said Mr Mellon. "Over the last 10 years, these shares have been diabolical."

Mr Mellon said Hambros needed to shift its capital towards more lucrative areas such as corporate finance and fund management.

Regent Pacific also criticised Hambros' "beautifully decorated" board, which includes the Hon Edward Adeane, former private secretary to the Prince of Wales, and Lord Kingsdown, former governor of the Bank of England.

Sir Chips Keswick, Hambros chief executive, said: "If he wants to be gratuitously rude to people he has never met, that is his business."

People close to the bank said Regent Pacific was too late because Hambros, one of the last independent UK merchant banks, this year concluded a review and decided to scale back its unprofitable lending.

Mr Mellon owns about 25 per cent of Regent Pacific and other managers about 16 per cent. Institutions such as Equitable Life, Tokyo Marine & Fire, Daewoo, Nomura and Harvard University own the remainder.

From its Asian base Regent Pacific has built up a fund management business in the former Soviet Union and only came to the attention of the City of London with its hostile bid for GT Chile, a distressed investment trust.

A fund managed by Regent Pacific also triggered the current battle for control of Kepit, the underperforming privatisation fund set up by Kleinwort Benson.

GEC may face revolt on Simpson

By William Lewis

General Electric Company is facing a revolt by institutional shareholders over the remuneration package it has awarded to Mr George Simpson, who takes over as managing director next month.

Norwich Union said yesterday it was considering voting against Mr Simpson's appointment to the board at GEC's annual meeting on September 6.

"We are waiting to speak to the company before deciding how to vote," said Ms Anita Skipper of Norwich Union. "On principle if we feel that the arrangements are not suitable we consider voting against the appointment of directors," she said. Four other shareholders said privately they were considering voting against.

The London Stock Exchange is thought to be examining whether the way in which GEC disclosed details of Mr Simpson's package breached its listing rules. Shareholders have complained that documents sent to them ahead of next week's annual meeting failed to mention the terms of Mr Simpson's package.

It consists of annual remuneration of up to £1.5m ($2.32m) including pension contributions, plus a complicated share option grant. His basic pay of £600,000 cannot be reduced.

Yesterday Norwich Union and other institutional investors said that their main concern was that the share price target GEC had to meet before Mr Simpson was able to profit from a complicated phantom share option scheme was not tough enough.

The company said yesterday that it could not make any comment.

Provisions put WH Smith £195m into loss

By Christopher Price

WH Smith, the high street retailer, yesterday reported its first loss in 204 years of trading as it made large provisions for restructuring and on the sale of non-core businesses.

The company, which has been undergoing a rationalisation initiated by new chief executive Mr Bill Cockburn, announced annual pre-tax losses of £194.7m ($302m) against profits of £100.9m for the 53 weeks to June 1, 1995. Turnover rose 5 per cent to £2.83bn. Pre-tax profits from continuing operations fell 14 per cent to £98.8m.

Mr Cockburn said the results were "clearly inadequate" but improvements from the restructuring should start to show this year. "We are only in the foothills and have a mountain to climb; it could take three or four years before we realise our real potential."

WH Smith issued two profits warnings last year as it suffered a downturn across a range of businesses. Mr Cockburn, formerly chief executive of the Post Office, was brought in at the start of the year to rejuvenate the retailer.

Of the losses, £161.5m related to goodwill write-offs, chiefly on the Do It All home improvement chain, which was sold at a loss to Boots, WH Smith's partner in the venture.

A further £132m has been set aside for exceptional items, such as stock write-offs and redundancies – 1,000 jobs have been cut from 34,000. Costs had been reduced by 6 per cent as a result of the rationalisation.

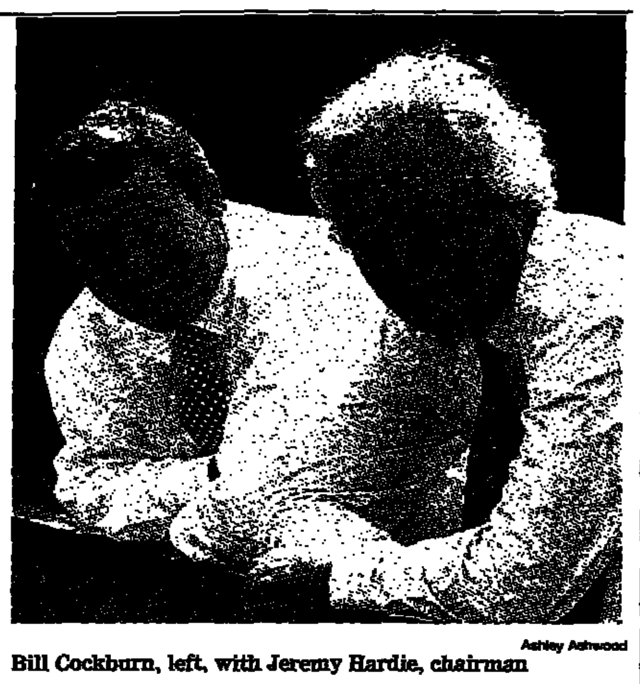
The UK retail side, mainly the 549 high street stores, experienced a 27 per cent fall in operating profits, largely as a result of reorganising the head office and the distribution system. Turnover rose 2 per cent to £926.9m. Book sales were 7 per cent higher and largely offset any cut in prices from the end of the Net Book Agreement.

Wholesaling also incurred reorganisation costs and margins were squeezed following the renegotiation of some contracts. Profits fell 9 per cent to £27.3m.

Waterstone's, the book retailer, lifted profits 47 per cent to £12.8m. WH Smith intends to add 26 stores to its existing 100 over the next three years. The Virgin Our Price music stores raised profits 41 per cent to £16m.

In the US retail business, which is concentrated in airports and hotels, profits edged up to £14.3m. New contracts had recently been won at a large Las Vegas hotel, as well as Atlanta and Las Vegas airports.

Profits at The Wall, the US shopping mall-based music chain, declined 37 per cent to £4.8m, hit by out-of-town discount stores, mail order operators and a lacklustre record market. Mr Cockburn predicted a "big shake-out" for the sector but said: "We would be mad to sell at this time."



Ashley Ashwood

Bill Cockburn, left, with Jeremy Hardie, chairman

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Beales Hunter	Yr to May 31	58.4	(52.3)	3.26	(0.953L♠)	21.8	(4.5L)	7.8	Oct 1	7.45	10.7	10.2
Belcanto Φ$	6 mths to June 30	1.46	(2.14)	0.984♠	(0.906)	9.53	(8.61)	‡‡	-	-	-	-
Carlworth	6 mths to June 30	34.9	(38.6)	4.96	(2.29)	7.1†	(6.3§§)	2.1	Oct 10	-	-	-
CrestaCare	6 mths to June 30★	22.8	(21)	2.62	(2.59)	1	(1)	0.3	Nov 4	0.29	-	0.88
Domnick Hunter	6 mths to June 30	25.7	(21.7)	4.22	(3.41)	8.35	(6.93)	2.88	Oct 18	2.4	-	6
Gibbs & Dandy	6 mths to June 30	14.2	(13.4)	0.502	(0.478)	4.3	(4.2)	1.5	Oct 14	1.4	-	3.5
Guinness Peat	6 mths to June 30	41.2	(30.6)	11.2	(6.87♥)	1.23†	(1.02)	-	-	-	-	0.2
Intelek	Yr to April 30	27.2	(18.4)	1.16	(0.604♥)	1.68†	(0.79)	0.6	Oct 10	0.5	0.9	0.75
Johnston Press	6 mths to June 30	55.7	(49.5)	12.6♥	(8.12♠)	6.62	(4.05)	0.75†	Nov 8	0.75	-	2.25
Kalon	6 mths to June 30	276.6	(114.6)	19.6	(11.6)	3.7†	(4.68)	1.7	Oct 9	1.6♦	-	4.8♦
Polymasc Pharm Φ	11 mths to June 30	0.063	(-)	0.508L	(-)	4L	(-)	-	-	-	-	-
Provident Financial	6 mths to June 30	209.7	(219.6)	47.5	(41.1)	11.77	(10.25)	8.5	Nov 1	5.5*	-	14*
Smith (WH)	Yr to June 1	2,828	(2,689)	194.7L♠	(100.9♠)	71.4L	(23.9)	10.4	Oct 17	10.4	15.65	15.65
Stowe	Yr to May 31	63	(48.9)	4.28	(3.01)	14.2	(14.28)	3.5	Oct 16	-	5.2	-
Surrey Free Inns Φ	Yr to May 31	12.61	(11.5)	1.19	(0.813)	11.6	(8.4)	1.25	Nov 29	1	2.25	1.8
Investment Trusts		**NAV (p)**		**Attributable Earnings (£m)**		**EPS (p)**		**Current payment (p)**	**Date of payment**	**Corresponding dividend**	**Total for year**	**Total last year**
Eaglet	Yr to June 30	137.92	(107.85)	0.346	(0.466)	1.21	(1.63)	1.5	Oct 30	1.5	1.5	1.5
Jos	Yr to July 31	259.61	(239.33)	0.826	(0.826)	12.79	(12.78)	3.61	Oct 14	4.675	13.6	13.525

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ΦAim stock. $US currency. ‡‡Distribution of 20 cents paid post balance sheet date. ★Comparatives restated. †On increased capital. §§Adjusted for change in capital structure on flotation. ♦Excludes 10p special. *Equivalent after allowing for scrip issue. #Pro forma.

FKI to acquire Marelli Motori

By Tim Burt

FKI, the engineering group, yesterday said it was buying Nuova Marelli Motori, the Italian motors and alternator manufacturer, for a total of L123bn ($81m) and hinted at further bolt-ons in the coming weeks.

The company, which earlier this summer suggested it could spend up to £300m on acquisitions, pointed to further deals in the automotive components and material handling sectors.

Mr Eric Bowers, finance director, said Marelli was one of five possible targets that FKI had been stalking.

After six months of talks, the UK group has agreed to pay L81.8bn in cash for the business – owned by US investment funds Mutual Discovery and Wexford Management LLC – while assuming its L41.2bn debts.

Mr Bowers said the deal would be funded from FKI's £120m multi-currency loan facility and predicted it would be earnings enhancing from the outset.

The Italian company last year reported underlying operating profits of L14bn on sales of L132.7bn, with net assets put at L39.2bn.

On completion, the acquisition should leave FKI with net borrowings of £30m to give relatively modest gearing of about 10 per cent.

Marelli will be integrated into FKI's engineering division, which contributed £15.6m to operating profits of £95.8m in the year to March 31.

Its customers include makers of fork lift truck and industrial pumps, although FKI said no single customer represented more than 10 per cent of its turnover.

The UK group plans to distribute Marelli's low voltage electric motors and alternators through its existing international dealer network, while using the company's Italian outlets to promote products made by FKI's Laurence Scott motors subsidiary.

Mr Bowers said the two companies were complementary and there was little need for a large-scale restructuring to avoid areas of overlap. "Marelli is an excellent addition to our engineering group and will also strengthen significantly FKI's presence in southern Europe."

FKI shares fell 1½p to 186p in thin trading.

LEX COMMENT

WH Smith

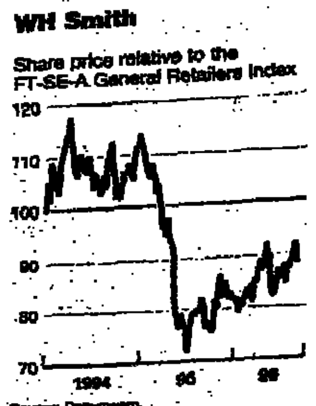
If presiding over WH Smith's first loss in 204 years was a humbling task, Mr Bill Cockburn at least had the consolation that investors have faith in his initiatives. Since taking over in January, he has engineered a radical restructuring and been rewarded with a 20 per cent rise in the share price. With a new structure in place, Mr Cockburn must now show that it can deliver. The key is whether he can boost performance at the core high street retail business. Cutting the number of product lines and improving relations with suppliers augur well. But the main challenge is to convert browsers into spenders. Nearly 40 per cent of people entering the store fail to spend any money.

There are two risks to the recovery scenario. In the short term, a dearth of good music and video releases could hit profits. Further out, sceptics argue that the generalist high street retailer has no future. This seems too pessimistic. The gap between specialist stores and supermarkets is too wide to be left unoccupied. Most shoppers still consider WH Smith a core element of the high street.

On a forward multiple of about 17, a premium to the market of 20 per cent, it is not easy to recommend the shares. This is no more than the sector average, but investors should wait for signs that good strategy is translating into better profits rather than taking Mr Cockburn at his word.

WH Smith

Share price relative to the FT-SE-A General Retailers Index



Source: Datastream

Hanson unveils demerger terms

By Ross Tieman

Hanson is to set up low-cost dealing facilities for small investors who want to sell their stakes in Millennium Chemicals or Imperial Tobacco Group after the demerger in October.

The arrangements are designed to facilitate a wide-ranging reshuffle of share ownership that is expected to ensue from the four-way demerger of what was once Britain's most acquisitive conglomerate.

Listing particulars for Millennium and Imperial, published yesterday, give the first break-down of demerger terms.

Hanson shareholders will receive one Imperial share for every 10 Hanson shares they own, and one Millennium share for every 70.

American investors will get one American Depository Share (ADS) in Imperial for every every four ADSs they own in Hanson, and one Millennium ADS for every 14 in Hanson.

Low-cost dealing for those wanting to sell or add to their holdings will be available for 60 days to investors who receive fewer than 700 Imperial shares or 100 Millennium shares.

Because Millennium is to be based in Delaware, and listed in New York, many British investors are expected to sell. Many US investors are also expected to dispose of their holdings in Imperial, Britain's second-biggest cigarette company. In an effort to stem the flow, Imperial shares will be traded in American Depository Receipt form, as well as in London.

Share register instability is likely to be compounded by the reduction in dividend pay-outs. The demerged companies will retain more earnings to invest in their businesses in a drive to accelerate growth.

Imperial yesterday indicated that it plans a "progressive" dividend policy. Millennium, meantime, will pay a quarterly cash dividend of 60c, starting in the first quarter of 1997.

Hanson shares eased 1p to 161p.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Pool purchase price £/MWh (Trading on 29.08.96)	Final Pool purchase price £/MWh (Trading on 01.08.96)	Final Pool selling price £/MWh (Trading on 01.08.96)
0030	9.04	9.02	9.02
0100	9.00	8.98	8.98
0130	9.03	8.96	8.95
0200	9.00	8.96	8.96
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TECHNOLOGY

Clive Cookson examines the latest scientific claims that a way to fend off old age has been found

In search of eternal youth

So strong is the desire to fend off old age and death that whenever scientists discover a gene that may affect the ageing process, people are keen to acclaim it as a Methuselah gene which holds the key to eternal life.

Several such genes have been identified this year, from one that causes a rapid ageing disease called Werner's Syndrome to a "clock gene" that extends the life of worms by a factor of five.

There is also increasing hype about telomeres – stretches of DNA at the end of chromosomes that wear away as cells divide. Enthusiasts claim that a technique to prevent telomere erosion could enable people to live for hundreds of years.

More realistic specialists on ageing say the whole process is too complex for a simple genetic prescription for longevity ever to be found. Hundreds or thousands of genes work together to determine how long people live.

"There is no single mechanism of ageing, no single switch that we could find to extend lifespan," says Tom Kirkwood, professor of biological gerontology at Manchester University.

Rudolph Tanzi, director of genetics and ageing research at Massachusetts General Hospital, agrees: "There is no Methuselah gene. But the discovery of a gene such as the one for Werner's Syndrome is enormously useful for giving us models for a whole class of genes."

In the young field of ageing genetics, each specialist has his own way of making sense of the complexity. George Martin of the University of Washington, Seattle, distinguishes two types of genetic action involved in ageing: "private" mechanisms that result in rare mutations affecting a small number of individuals, and "public" mechanisms that influence the general ageing process.

Kirkwood's starting point is evolutionary biology. "Evolution theory suggests that ageing happens because the process of natural selection attaches little importance to the events that occur late in the lifespan," he says. "Biological organisms – our bodies – are under strong pressure to use their resources in the most cost-effective way, attaching greater priority to activities such as reproduction and investing only limited resources in the continuing maintenance of the body or soma."

According to Kirkwood's "disposable soma" theory, ageing represents accumulated damage from the failure of genes that control maintenance functions, such as protecting cells from oxidants and repairing damaged DNA. From the evolutionary perspective, it is disadvantageous to increase maintenance beyond a level sufficient to keep the organism in good shape through its natural life expectancy in the wild.

People should not pin too much hope on a genetic cure for ageing

Another conclusion is that ageing is not regulated or programmed in the same way as the processes of early life. Kirkwood is therefore suspicious of theories that propose a role for clock-type genes in truncating life.

Kirkwood's maintenance or "stress-response" genes can perhaps be equated with Martin's "public" mechanisms acting across the whole species. In addition, Kirkwood says, there are a large number of deleterious late-acting mutations – not related to maintenance – which normally take effect at an advanced age when the vast majority of organisms would have died for other reasons in the wild.

Scientists do not yet know whether the celebrated Werner's Syndrome gene – identified earlier this year by a US team from Darwin Molecular, a Seattle-based biotechnology company, and the Seattle Veterans Administration Medical Centre – represents a private or public mechanism. Patients with the syndrome begin to show signs of premature ageing, such as greying hair and wrinkling skin, in their 20s; they suffer diseases of old age such as cancer and brittle bones in their 30s; and most are dead by 50.

The gene produces an enzyme called a helicase, which unwinds the twin strands of the DNA double helix. Its role may be to repair damaged genes. "This supports the general idea that the accumulation of DNA damage is important in ageing but it does not necessarily mean that the Werner's gene itself is important," Kirkwood says.

Darwin is working to identify medical targets relating to the Werner's gene.

Tanzi, however, believes the most useful route to drugs that could extend healthy human lifespans by 10 – 20 years is to concentrate on the way cells process proteins in the cytoplasm – the main body of the cell – rather than on DNA metabolism in the nucleus.

"If you think of the cell as a protein factory, debris on the conveyor belt – caused by improper protein processing – can make the whole thing break down," he says. "We are looking at the genes that control the folding of proteins and make sure the proteins go to the right places."

Much of the excitement about ageing genes comes from studying nematodes. In these primitive worms, a small number of genes control the whole biological timetable, and scientists at McGill University in Montreal have produced mutant nematodes in which metabolism occurs so slowly that they live five times longer than their wild counterparts (for 30 days rather than eight).

But it is not known whether similar genes exist in humans, let alone whether they could be manipulated and, if so, what a slowed-down life would feel like. Perhaps 140 years at half-pace would amount to no more, in terms of life experience, than a normal 70 years. In that case, why live longer?

Another approach – which has inspired the most extravagant enthusiasm about extending lifetimes – focuses on telomeres. These stretches of DNA exist at the end of each of the 23 chromosomes which contain all human genes; they act as safety caps to protect the chromosomes from damage. Telomeres become shorter every time a cell divides, and when they reach a certain critical length, the cell becomes senescent. It can no longer divide and may even have a harmful effect on neighbouring cells.

An enzyme, telomerase, which is active in cancer cells and in developing embryos, adds new DNA to telomeres and prevents their shortening. Geron, a Californian biotechnology company, is leading the research effort to use telomerase to extend the lifetime of cells – and eventually whole organisms.

But, as with the nematode clock genes, a big leap of faith is required to travel from laboratory experiments to speculation about extending human life through telomerase. Critics point out, for example, that the treatment might increase the risk of unwanted cell proliferation – cancer. And, Kirkwood says, telomerase could not be a complete answer because it would *not affect non-dividing cells, such* as those in the brain and muscles, which also suffer the effects of ageing.

Yet another approach is to look for genetic differences between very old people and the general population, using gene databases. For example, researchers at the Centre d'Etude du Polymorphisme Humain in Paris are analysing the genes of French centenarians.

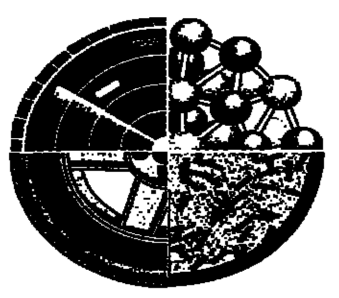
People should not pin too much hope on a genetic cure for ageing, scientists warn. In modern western societies, inheritance accounts for only 20 per cent of longevity; environmental factors such as diet and lifestyle are much more important.

There is a reasonable prospect that many people born in the industrialised world this year will live to celebrate 2100. But none will achieve Methuselah's biblical lifespan of 969 years.

The series on human genes continues next month with a look at race, geography and disease.

No one has lived as long as Jeanne Calment, 121 this February

Worth Watching · Vanessa Houlder



Milestone in race for a cancer cure

US scientists may have reached a milestone in cancer research, following the completion of a clinical trial that used gene therapy to treat lung cancer.

The trial involved nine patients with advanced lung cancer which had failed to respond to conventional treatments. Although all the patients died, the treatment resulted in a significant destruction of the tumour in three patients and a stabilisation of the tumour in three others.

The researchers set out to replace faulty p53 tumour suppressor genes, which are responsible for about half of all cancers. Normal p53 tumour suppressor genes – crucial in the self-destruction of damaged cells – were injected into the patients' lung tumours using a carrier known as a retroviral *vector*.

The research, which will be reported in September's issue of Nature Medicine, was led by the University of Texas M D Anderson Cancer Center.

An accompanying commentary in Nature Medicine said the therapy had been proved in principle and could be given at a very early stage of lung cancer. Mutations of p53 genes are common in many cancers, suggesting that p53 gene therapy "may prove effective in the treatment of many cancers".

University of Texas M D Anderson Cancer Center: US, tel 713 792 0655; fax 713 794 4418.

Germans raise the heat for ceramics

German scientists have synthesised a ceramic that can resist heat of up to 2,000°C.

The new ceramic, which was developed by scientists at the Technische Hochschule in Darmstadt and colleagues at the Max-Planck-Institut, may have potential for uses in power generation and in mechanical and chemical engineering, according to today's Nature.

The ceramic is made from a polymer that at high temperatures is converted to a composite of silicon carbide, silicon nitride and boron nitride. Previously, the highest temperature at which silicon nitride-containing ceramics could be used was 1,500°C.

Technische Hochschule Darmstadt: Germany, tel 6151 813242; fax 6151 813240.

It's good to talk to your car phone

Even with hands-free car phones, drivers usually have to punch in the number that they want to dial. Now a voice-activated dialling system has been designed that will allow drivers to make a telephone call without taking their hands off the wheel.

Vocalis, a UK voice recognition company, has designed a system that can be programmed with up to 50 numbers. It automatically dials the number needed in response to spoken instructions.

The system is also designed for people with disabilities that make it difficult to use *conventional phones.*

Vocalis: UK, tel (0)1223 846177; fax (0)1223 846177.

A security blanket for ladders

Every year, thousands of accidents are caused by ladders slipping or falling over.

But ladders could be made more secure simply by providing additional supports, according to Ankalad, a Huntingdon-based company. It has designed aluminium struts that are attached to the middle of the ladder and unfold to make a triangular base.

As well as making the ladder safer, it reduces the pressure at the top of the ladder, making it possible to lean it against gutters. The Ankalad, which weighs 3.6kg, can fit any wood or aluminium ladder. It costs £65 plus value added tax.

Ankalad: UK, tel (0)1480 861870; fax (0)1480 861760.

INTERNATIONAL CAPITAL MARKETS

Strong demand at auction buoys UK gilts

By Samer Iskandar in London and Lisa Bransten in New York

Uncertainty linked to the forthcoming budget season continued to weigh on European bonds, with the added risk of social unrest affecting French OATs in particular.

In the UK, a successful auction reinforced the view that gilts' relative isolation had increased their appeal as a defensive investment. The Japanese market showed the best performance of the day after the release of bullish data, while US Treasuries traded in a narrow range ahead of the auction of $12.5bn in five-year notes.

■ UK gilts were buoyed by stronger than expected demand at yesterday's auction of £2.5bn of 10-year stock. Liffe's September long gilt future ended a quiet session $\frac{1}{16}$ higher at 107$\frac{3}{16}$. Bids for the 7½ per cent bonds due 2006 totalled £6.7bn, or 2.69 times the amount on offer, allowing the Bank of England to place 93 per cent of the total at the lowest yield and leaving a tail of only one basis point.

Mr Kevin Adams, gilts strategist at BZW, said market conditions ahead of the auction were favourable. "The yield curve between five and 10 years was at the steepest level seen this year, a strong incentive to move out to longer maturities," he said, and 10-year gilts looked cheap against other European bonds, with a yield spread over bunds "in the high 160s".

Although the unstable international environment has been capping gilts' performance for several weeks, Mr Adams said sterling's stability and a favourable domestic outlook – improving growth with subdued inflation – could attract flows from the French and Italian markets.

■ French bonds continued to suffer from fears of social unrest next month. In an opinion poll published yesterday 77 per cent of respondents were expecting tough strike action next month.

GOVERNMENT BONDS

The Matif's September notional contract fell 0.16 to close at 122.96 and the September Pibor future closed 0.10 lower at 95.76. In four consecutive bearish sessions the contract has reversed the 0.30 point boost it was given last Thursday by the Bundesbank's rate cut.

The release of data showing that industrial production had fallen by 0.5 per cent in the year to June contributed to the franc's weakness on the foreign exchange market, adding to the pressure on bonds. The franc fell to a low of around FFr3.43 against the D-Mark, from FFr3.421 Tuesday afternoon.

■ Japanese bonds took heart from the release of a tankan survey depicting a very weak economy, which led most observers to dismiss the chances of a rise in interest rates this year. Some economists even argued that the authorities might have to wait up to a year before tightening monetary policy.

The tankan diffusion index, which measures Japanese firms' business outlook, reflected deepening pessimism among large manufacturers. The index stood at minus 7 points, down from minus 3 in May. Mr Peter Wilson of Tokyo Mitsubishi International said "this is more than just a blip in the recovery; it might presage another double dip [in economic activity]".

The December futures contract on 10-year JGBs jumped 1.14 in Tokyo to close at 120.39, then reached 120.47 in London trading, up more than 3.5 points since mid-July. Although the six-week rally is likely to prompt some profit-taking, Mr Wilson believes JGBs still have some scope to rise.

Traders are now waiting for the release tomorrow of industrial production data for July. The government has forecast a rise of 4.2 per cent, against market expectations of around 3.4 per cent. Tokyo Mitsubishi does not rule out a figure of less than 3 per cent. "The news [on economic activity] could get worse before it starts getting better", said Mr Wilson.

■ US Treasury prices were nearly flat in early trading as traders prepared for an afternoon auction of five-year notes. Near midday the benchmark 30-year Treasury was $\frac{1}{32}$ lower at 97$\frac{3}{32}$ to yield 6.972 per cent, while the two-year note was up $\frac{1}{32}$ at 99$\frac{25}{32}$, yielding 6.159 per cent. The September 30-year bond future added $\frac{1}{32}$ to 109.

The yield curve that maps the spread between two-year notes and the long bond flattened by one basis point to 81 basis points.

Tuesday's auction of $18.75bn in two-year notes met disappointing demand and traders were uncertain of prospects for yesterday's sale of $12.5bn in five-year notes. The existing five-year note was down $\frac{1}{32}$ at 100$\frac{1}{32}$ to yield 6.540 per cent.

World Bank jumbo targets Japanese retail investors

By Conner Middelmann

The eurobond market witnessed a surge of activity yesterday, topped by a jumbo $1bn three-year offering for the World Bank very late in the day. Arranged by Yamaichi International, the issue was targeted at Japanese retail investors.

Mr Hakan Lonaeus, chief financial operations officer at the World Bank, said Japanese retail investors "have picked up a sizeable chunk of our debt – last year they bought about a quarter of the $10bn we raised. With this deal, we may even improve on those numbers in the current fiscal year."

Given that the bonds yield significantly less than US Treasuries – this issue offers around 30 basis points less – whereas the World Bank's global bonds usually yield well over US government bonds, such deals offer advantageous funding to the borrower. While such sub-

INTERNATIONAL BONDS

Treasuries yields may not be attractive to investors, some observers argue that distribution costs of US government bonds to Japanese retail buyers are so high that they still obtain a yield pick-up by buying bonds like the World Bank's.

Elsewhere, the European Investment Bank issued £250m of four-year bonds priced to yield 3 basis points over gilts, the same spread at which the EIB's outstanding bonds due 2000 currently trade. Lead manager BZW reported some switching from other four-year bonds yielding less than gilts, as well as buying by investors in Germany, Switzerland and the Benelux countries.

Bayerische Hypo, the Bavarian bank, launched £100m of three-year bonds yielding 27 basis points over gilts. The deal was aimed at continental European retail buyers, said lead manager HSBC Markets. "There hasn't been a three-year issue since June, so there was good demand," it said.

Scott Fetzer Financial Group, a financial services firm owned by Berkshire Hathaway, made a successful eurobond debut with $100m of five-year bonds via Salomon Brothers. Due to Berkshire's guarantee, the bonds are rated Aa1/AAA, and saw good demand from European as well as middle eastern investors.

The D-Mark sector was very active, mainly with retail-targeted deals: DM500m of five-year bonds for BNG; DM350m of three-year paper for Japan Finance Corp for Small Business; and DM250m of four-year paper for Bank Austria.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
World Bank(l)‡	1bn	5.68#	99.13	Sep 1999	0.20	-	Yamaichi Intl(Europe)
Scott Fetzer Financial Grp(a)	100	6.75	99.724R	Aug 2001	0.25R	+18(Wl 5yr)	Salomon Brothers Intl
Tipco Asphalt(a)§	70	(2½-3)	100.00	2006	2.50	-	Paribas Capital Markets
■ D-MARKS							
BNG	500	5.25	99.82R	Oct 2001	0.25R	+20(5%-01)	ABN Amro Hoare Govett
JFC for Small Business	350	4.50	100.02R	Sep 1999	0.1875R	+10(6¾%-99)	Bank of TM/Deutsche MG
Bank of Austria(a)	250	5.00	99.95R	Dec 2000	0.225R	[illegible]	SBC Warburg
■ SWISS FRANCS							
SchweizLB Capital Markets	300	3.75	102.45	Oct 2001	2.00	-	Credit Suisse/UBS
Next Cost[illegible]	110.35	0.125	100.50	Sep 1999	1.50	-	Banca del Gottardo
Eksportfinans	100	4.00	102.375	Oct 2003	2.50	-	UBS
■ STERLING							
European Inv'ment Bank(a)	250	7.00	99.42R	Dec 2000	0.225R	+3(8%-00)	Barclays de Zoete Wedd
Bayerische Hypo(j)	100	6.75	99.20R	Dec 1999	0.225R	+27(8%-99)	HSB Markets
■ GUILDERS							
Banque Générale du Lux(j)	110	5.25	99.875R	Dec 2004	0.325R	+16(7¼%-04)	SGL
■ FRENCH FRANCS							
JP Morgan & Co	1.5bn	6.625	99.034R	Sep 2006	0.40R	+20(8½%-06)	JP Morgan & Co
■ DANISH KRONER							
KfW International Finance	400	(c)	101.67	Oct 2002	1.875	-	Kreditbank Intl Group

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ¶Unlisted. §Convertible. ‡With equity warrants. # fixed re-offer price; fees shown at re-offer level. a) [illegible] Convertible into Tipco foreign board shares at 10-15% premium over domestic share price. Callable after 2 yrs, subject to 140% hurdle, at par. Puttable in 5 yrs to yield Treasuries +110-160bp. Greenshoe: $10m. b) Fixing: [illegible] c) 5¾% to 15/10/99, then 6%. ‡ Long 1st coupon. s) Short 1st coupon.

Specialised loans back £200m deal

By Richard Lapper, Capital Markets Editor

Specialised consumer and commercial loans are to be securitised as part of a £200m deal allowing Electra Fleming to take control of Premium Credit, an instalment finance company, from HSBC, the banking group.

Vendcrown, a new company formed by Electra, is borrowing the funds from Thames Asset Global Securitisation No 1 (TAGS), a financing vehicle sponsored and administered by NatWest Markets.

Vendcrown will also use the money to expand Premium's business, which centres on loans allowing individuals and businesses to pay insurance premiums in instalments.

The deal is the first time securitisation has been used to generate funds for a private equity acquisition in Europe. Announced earlier this week, the securitisation highlights the growing popularity of the technique on the continent.

Securitisation, which is highly developed in the US, allows financial institutions or companies to remove assets from their balance sheets, freeing capital and diversifying their funding sources. In this case, TAGS, one of a handful of specialist securitisation vehicles set up by European banks, raised the money for the loan on the US commercial paper market.

The loan is secured against repayments on Premium's receivables and because of the nature of this underlying transaction, the commercial paper issued by TAGS carries a high credit rating from leading international rating agencies, allowing it to reduce funding costs.

Formed in January 1995, TAGS now has more than $1bn in commercial paper outstanding backed by a range of assets including residential and commercial property loans and computer leases.

Electra invested a total of £21.5m in equity and loan stock to obtain an effective controlling stake in Vendcrown.

HSBC was paid £40.3m for the business and has retained a 19.9 per cent equity stake. Some of the funds were used to refinance existing bank facilities, leaving a significant amount to finance the continued growth of the business.

TAG Heuer may float

By Richard Lapper

TAG Heuer International, the Swiss watch manufacturer, yesterday announced its intention to examine a "possible flotation". If an international share issue goes ahead, the company would be the latest of a line of luxury and prestige goods makers to come to the equity markets, following such names as Gucci and LMVH.

Salomon Brothers and SBC Warburg have been appointed to advise the company on its options. TAG Heuer specialises in the design, production and marketing of high quality precision sports watches and chronographs. Sales have increased at an annual compound rate of 28 per cent since 1988 when the current management team was appointed. In the year to December 1995, net sales amounted to SFr379.6m.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	90.8260	+0.450	8.07	7.87	8.56
Austria		6.250	05/06	98.5100	+0.040	6.35	6.34	6.47
Belgium		7.000	05/06	102.6700	+0.100	6.61	6.65	6.78
Canada *		7.000	12/06	97.5900	+0.130	7.34	7.27	7.72
Denmark		8.000	03/06	104.4200	-0.120	7.33	7.30	7.35
France	BTAN	5.500	10/01	99.3750	-	5.64	5.63	5.51
	OAT	7.250	04/06	105.6600	-0.150	6.44	6.39	6.43
Germany Bund		6.250	04/06	99.1200	+0.050	6.37	6.35	6.45
Ireland		8.000	08/06	102.6000	-0.250	7.62	7.58	7.84
Italy		9.500	02/06	100.7000	-0.030	9.38†	9.39	9.44
Japan	No 140	6.600	06/01	120.5097	+0.930	1.93	2.07	2.43
	No 182	3.000	09/05	99.8579	+0.880	3.02	3.10	3.38
Netherlands		8.500	06/06	115.3300	+0.020	6.34	6.32	6.40
Portugal		11.875	02/05	119.0000	+0.050	8.60	8.70	8.71
Spain		8.800	04/06	99.3100	-0.270	8.88	8.96	8.84
Sweden		6.000	02/05	87.1895	-0.540	8.15	8.11	8.35
UK Gilts		8.000	12/00	103-16	+1/32	7.03	7.03	7.15
		7.500	12/06	97-11	+2/32	7.88	7.84	7.93
		9.000	10/08	107-21	+8/32	8.00	7.97	8.05
US Treasury *		7.000	07/06	101-21	+2/32	6.75	6.56	6.85
		6.750	08/26	97-09	+3/32	6.97	6.83	7.02
ECU (French Govt)		7.500	04/05	104.1200	-0.070	6.84	6.82	6.88

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	-	Two year	6.16
Broker loan rate	7	Two month	-	Three year	6.34
Fed funds	5¼	Three month	5.20	Five year	6.53
Fed funds at intervention	-	Six month	5.35	10-year	6.77
		One year	5.74	30-year	6.96

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	123.02	122.96	-0.16	123.32	122.88	114,939	183,945
Dec	121.90	121.62	-0.16	121.90	121.60	9,551	43,421
Mar	121.74	121.52	-0.10	121.74	121.50	2,058	10,010

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Dec
120	-	-	-	-	0.22	0.65
121	2.00	-	1.60	-	0.45	0.87
122	1.00	0.50	1.03	0.02	0.85	1.37
123	0.14	0.17	0.61	0.15	-	-
124	0.01	0.05	0.33	1.02	-	-

Est. vol. total, Calls 0.018 Puts 16,898. Previous day's open int., Calls 144,098 Puts 170,125.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.50	97.34	+0.02	97.54	97.21	132342	167832
Dec	96.57	96.40	+0.01	96.60	96.26	14956	58678

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
9600	0.72	0.98	1.18	1.09	0.32	0.58	0.78	1.64
9650	0.43	0.70	0.90	0.87	0.53	0.80	1.00	1.92
9700	0.22	0.48	0.66	0.68	0.82	1.08	1.26	2.23

Est. vol. total, Calls 10097 Puts 14110. Previous day's open int., Calls 95153 Puts 91318

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115.61	115.32	-0.13	115.73	115.21	31418	49681
Dec	114.74	114.61	-0.11	114.84	114.51	4093	13034

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
11450	1.79	2.21	1.68	2.60
11500	1.51	1.99	1.90	2.88
11550	1.25	1.78	2.14	3.17

Est. vol. total, Calls 662 Puts 3931. Previous day's open int., Calls 46179 Puts 63530

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	101.09	100.65	-0.26	101.18	100.60	58,206	50,909
Dec	100.56	100.17	-0.29	100.62	100.10	2,697	6,777

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	107-08	107-06	+0-02	107-12	106-30	88937	101136
Dec	106-19	106-17	+0-02	106-21	106-10	32402	50740

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
106	1-00	1-25	1-44	1-60	0-30	0-55	1-10	2-04
107	0-31	0-55	1-11	1-32	0-61	1-21	1-41	2-40
108	0-12	0-31	0-48	1-08	1-42	1-61	2-15	3-16

Est. vol. total, Calls 1070 Puts 1558. Previous day's open int., Calls 12755 Puts 11801

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	91.80	91.76	-0.04	91.86	91.68	4,898	7,051
Dec	89.98	89.94	-0.04	90.00	89.82	483	1,878

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	108-31	109-01	+0-03	109-10	108-28	230,513	317,822
Dec	108-14	108-17	+0-03	108-25	108-12	51,452	129,472
Mar	108-04	108-05	+0.05	108-04	108-01	172	8,082

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	121.94			121.95	121.80	1581	n/a
Dec	120.52			120.52	120.33	3740	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Aug 28	Day's change %	Tue Aug 27	Accrued interest	xd adj. ytd		Low coupon yield Aug 28	Aug 27	Yr. ago	Medium coupon yield Aug 28	Aug 27	Yr. ago	High coupon yield Aug 28	Aug 27	Yr. ago
1 Up to 5 years (22)	121.66	0.07	121.58	1.99	6.91	5 yrs	7.18	7.15	7.66	7.25	7.28	7.67	7.30	7.29	7.75
2 5-15 years (20)	147.72	-0.08	147.83	2.99	6.63	15 yrs	8.14	8.11	8.13	8.14	8.12	8.16	8.16	8.14	8.26
3 Over 15 years (8)	160.17	-0.07	160.28	2.46	8.73	20 yrs	8.25	8.20	8.16	8.23	8.22	8.19	8.26	8.23	8.27
4 Irredeemables (6)	183.46	-0.67	184.68	3.57	7.36	Irred.†	8.32	8.26	8.23						
5 All stocks (56)	142.15	-0.03	142.19	2.56	7.27										

Index-linked							Inflation 5% Aug 28	Aug 27	Yr. ago	Inflation 10% Aug 28	Aug 27	Yr. ago
6 Up to 5 years (1)	200.04	0.00	200.04	3.03	4.43	Up to 5 yrs	2.09	2.08	2.77	0.42	0.40	0.98
7 Over 5 years (11)	188.93	-0.01	188.94	1.06	3.43	Over 5 yrs	3.69	3.68	3.54	3.47	3.47	3.35
8 All stocks (12)	189.05	-0.01	189.06	1.10	3.44							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 28	Aug 27	Aug 23	Aug 22	Aug 21	Yr ago	High*	Low*
Govt. Secs. (UK)	92.79	92.81	93.07	93.26	93.14	93.55	98.34	91.59
Fixed Interest	113.34	113.51	113.59	113.64	113.68	112.17	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 27	Aug 23	Aug 22	Aug 21	Aug 20
Gilt Edged bargains	73.7	77.6	78.4	90.1	78.4
5-day average	79.7	79.8	79.2	77.9	74.9

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts (Lives up to Five Years)						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on August 28

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97⅜	97⅝		6.99
ABN Amro Bank 7¼ 05	1000	99½	99¾		7.48
African Dev Bk 7⅜ 23	500	95¼	95¾		7.75
Alberta Province 7⅜ 98	1000	102⅜	102½		6.41
Asian Dev Bank 6¼ 05	750	95	95¼		7.12
Austria 8½ 00	400	105⅜	105⅝	-⅛	6.68
Baden-Wuert L-Fin 8¼ 00	1000	104⅛	104¼		6.71
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 8 97	2500	105	105¼		3.60
United Kingdom 7¼ 97	5500	104	104⅛	-⅛	3.55
Volkswagen Intl Fin 7 03	1000	104	104¼		6.25
World Bank 0 15	2000	31⅞	31¾	+¼	6.19
World Bank 5⅞ 03	3000	99⅝	99¾	+⅛	5.94
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	36⅛	36¾	+⅛	5.38
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Abbey Natl Treasury 8 03 £	1000	100⅞	101		7.81
British Land 8⅞ 23 £	150	90½	90¾		10.13
Denmark 6¾ 98 £	800	100½	100⅝		6.47
Depfa Finance 7⅛ 03 £	500	95¾	96	-⅛	7.91
EIB 8 03 £	1000	101¾	102		7.65
Glaxo Wellcome 8¾ 05 £	500	102⅛	102⅜		8.40
Hanson 10⅜ 97 £	500	104⅛	104⅜	-⅛	6.48
HSBC Holdings 11.69 02 £	153	116⅛	116⅝		8.14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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مكان الاصل

CURRENCIES AND MONEY

MARKETS REPORT

D-Mark gains ground on worries about yen

By Richard Adams

The yen slipped on currency markets yesterday after the Japanese August tankan review of business sentiment painted a downbeat picture of the economy and lowered chances of an interest rate rise.

But it was the D-Mark and sterling rather than the US dollar – the usual safe haven for flows out of the Japanese currency – that gained most from the yen's fall.

The dollar climbed sharply towards Y108.8 in trading in Tokyo, but fell back after European markets opened. The dollar staged an afternoon rally in London to end at Y108.40, up from the previous day's close of Y107.70.

However, the D-Mark was also stronger, reaching Y73.41 by the close, up from Y72.90. The D-Mark also held its own against the dollar, ending at DM1.477, a tick up from DM1.478.

Sterling also had a good day, helped by the better-than-expected UK trade data and a successful gilt auction in the morning. Analysts said there was some evidence of Japanese buying of gilts. The pound rose strongly against the yen to Y169.036, up from Y167.621.

Against the dollar, the pound rose nearly half a cent, ending at $1.559, from $1.556. Against the D-Mark it also strengthened to DM2.3015, from DM2.987.

Analysts said the French franc may be set for what one trader called a "mini-crisis", after weak June industrial production figures. Yesterday the franc ended down against the D-Mark at FFr3.425, from FFr3.421.

■ Pound in New York		
Aug 28	–Latest–	– Prev. close –
£ spot	1.5595	1.5550
1 mth	1.5590	1.5545
3 mth	1.5587	1.5547
1 yr	1.5606	1.5565

■ It is no understatement to say the markets were surprised by the weakness of the tankan, the Bank of Japan's quarterly survey of business sentiment.

Most economists had predicted a more buoyant survey this quarter than in May. And that feeling of optimism was helped by rumours circulating yesterday in Tokyo before the release of the data predicting an upswing in the index.

Both proved to be wrong. A rise in Japanese interest rates looked less likely after the tankan showed the first decline in confidence among the country's large manufacturing companies for a year.

But analysts at DKB International in London said: "The tankan is not pointing to a recession. Instead it is consistent with a mild economic recovery."

■ Yen weakness is usually followed by dollar strength, as Japanese investors seek a strong currency. But while yesterday saw movement to the dollar from the yen, there was an unusual level of activity into D-Marks.

Mr Tony Norfield, treasury economist at ABN Amro in London, said the D-Mark seemed to be the safe haven chosen by Japanese investors, rather than the dollar. "What's happened this time is Japanese customers are buying German bunds," Mr Norfield said.

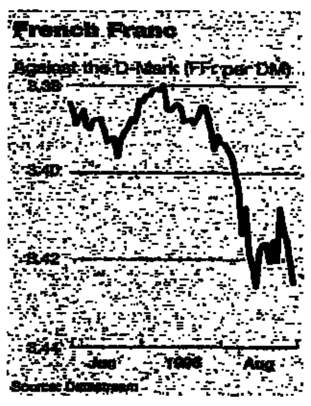
Some longer term issues are weighing in against the dollar, which has been unable to capitalise fully on bullish sentiment following the Bundesbank's repurchase rate cut last week and yesterday's tankan news.

Mr Tim Fox, treasury economist at Standard Chartered in London, said an "uncertain political profile" in the US and continuing trade deficits were holding the dollar back. The US was also losing out in competition for investment flows to more dynamic economies.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said there were few events likely to change the dollar's fortunes in the near future. "If there's nothing really happening to move the dollar one way or the other, then people will look at the current account, which is pouring dollars into the mark," he said.

■ The Swiss franc, the world's traditional safe haven, continued to strengthen, despite the D-Mark's rise. Against the D-Mark it went from SFr0.808 to SFr0.807.

But the Swiss franc's continued strength could spell danger for the Swiss economy. "The Swiss franc at these levels is almost an accident waiting to happen," Mr Hawkins said, who described the Swiss economy as "one of the weakest in Europe".



Source: Datastream

■ OTHER CURRENCIES		
Aug 28	£	$
Czech Rp	[illegible]	28.0640
Hungary	[illegible]	151.070
Iran	[illegible]	3000.00
Kuwait	[illegible]	0.2983
Poland	[illegible]	2.7398
Russia	[illegible]	5375.00
U.A.E.	5.7216 - 5.7239	3.6735

POUND SPOT FORWARD AGAINST THE POUND

Aug 28		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Austria	(Sch)	16.1954	+0.0204	832 - 055	16.2105	16.1590	16.1641	2.3	16.0892	2.6	-	-	105.4
Saudi Arabia	(SR)	5.8482	+0.0138	461 - 502	5.8514	5.8247	-	-	-	-	-	-	-
Singapore	(S$)	2.1982	+0.0028	917 - 946	2.1948	2.1857	-	-	-	-	-	-	-
South Africa	(R)	7.0325	–0.003	263 - 386	7.0413	6.9930	-	-	-	-	-	-	-
South Korea	(Won)	1277.77	+3.89	728 - 826	1278.43	1272.06	-	-	-	-	-	-	-
Taiwan	(T$)	42.8746	+0.1362	530 - 961	42.8975	42.6687	-	-	-	-	-	-	-
Thailand	(Bt)	39.4269	+0.1078	065 - 473	39.4490	39.2610	-	-	-	-	-	-	-

† Rates for Aug 27. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 28		Closing mid-point	Change on day	Bid/offer spread
Saudi Arabia	(SR)	3.7505		- 504
Singapore	(S$)	1.4085	–0.0015	080
South Africa	(R)	4.5100	–0.0125	075
South Korea	(Won)	819.450	+0.45	400
Taiwan	(T$)	27.4960	+0.023	910
Thailand	(Bt)	25.2850	+0.01	800

† SDR rate per $ for Aug 27. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 27: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

August 28	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 1/32	3 1/8	3 1/8	3 1/4	3 3/8	6.00	2.50	–
week ago	3 1/4	3 1/8	3 1/8	3 1/8	3 3/8	7.00	2.50	–
France	3 1/8	3 3/4	4	4 1/8	4 1/8	3.35	–	4.75
week ago	3 3/4	3 3/4	4	4 1/4	4 1/8	3.55	–	4.75
Germany	3	3 1/8	3 1/8	3 1/8	3 1/4	4.50	2.50	3.00
week ago	3 1/4	3 1/8	3 1/8	3 1/8	3 3/8	4.50	2.50	3.30
Ireland	5 3/4	5 3/4	5 7/8	6	6 1/8	–	–	6.25
week ago	5 1/8	5 3/4	5 3/4	5 7/8	6	–	–	6.25
Italy	8 5/8	8 3/4	8 7/8	8 5/8	8 5/8	–	8.25	8.85
week ago	8 3/4	8 3/4	8 7/8	8 3/4	8 5/8	–	8.25	8.85
Netherlands	2 5/8	2 3/4	2 7/8	2 7/8	3 1/8	–	3.00	3.30
week ago	2 7/8	2 3/4	2 7/8	3 1/8	3 1/8	–	3.00	3.30
Switzerland	1 5/8	2	2 1/8	2 1/8	2 1/4	–	1.50	–
week ago	2 1/8	2	2 1/8	2 1/8	2 1/8	–	1.50	–
US	5 1/4	5 1/4	5 5/8	5 3/4	5 5/8	–	5.00	–
week ago	5 1/8	5 1/4	5 3/8	5 5/8	5 5/8	–	5.00	–
Japan	7/16	15/32	1/2	17/32	21/32	–	0.50	–
week ago	7/16	15/32	1/2	17/32	21/32	–	0.50	–
■ $ LIBOR FT London								
Interbank Fixing	–	5 15/32	5 5/8	5 7/8	6	–	–	–
week ago	–	5 15/32	5 5/8	5 7/8	5 7/8	–	–	–
US Dollar CDs	–	5.09	5.16	5.26	5.49	–	–	–
week ago	–	5.09	5.16	5.26	5.49	–	–	–
ECU Linked Ds	–	4 1/8	4 1/4	4 5/16	4 3/8	–	–	–
week ago	–	4 1/8	4 1/4	4 5/16	4 3/8	–	–	–
SDR Linked Ds	–	3 1/2	3 5/8	3 21/32	3 3/4	–	–	–
week ago	–	3 1/2	3 21/32	3 21/32	3 27/32	–	–	–

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 28	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 1/8 - 2 31/32	3 1/32 - 2 31/32	3 1/16 - 3 1/32	3 1/16 - 3 1/32	3 1/16 - 3 1/16	3 13/32 - 3 13/32
Danish Krone	3 7/16 - 3 5/16	3 11/16 - 3 7/16	3 3/4 - 3 5/8	3 13/16 - 3 23/32	3 27/32 - 3 3/4	4 1/32 - 4
D-Mark	3 3/16 - 3 1/16	3 1/8 - 3	3 3/16 - 3 1/16	3 3/16 - 3 1/16	3 1/16 - 2 15/16	3 3/8 - 3 1/8
Dutch Guilder	2 3/4 - 2 5/8	2 17/32 - 2 13/32	2 7/8 - 2 13/16	3 - 2 29/32	3 1/16 - 3	3 5/16 - 3 3/16
French Franc	3 7/8 - 3 7/16	3 31/32 - 3 5/8	3 11/16 - 3 9/16	3 13/16 - 3 5/8	3 29/32 - 3 3/4	4 - 3 7/8
Portuguese Esc.	7 - 6 27/32	7 5/16 - 7 1/16	7 11/32 - 7 1/4	7 1/4 - 7 7/32	7 7/32 - 7 3/16	7 1/4 - 7 3/16
Spanish Peseta	7 1/16 - 7 13/32	7 15/32 - 7 11/32	7 7/16 - 7 5/16	7 1/4 - 7 1/8	7 7/32 - 7 3/32	7 7/32 - 7 3/32
Sterling	5 1/2 - 5 1/4	5 13/16 - 5 11/16	5 3/4 - 5 11/16	5 25/32 - 5 23/32	5 3/4 - 5 11/16	5 31/32 - 5 13/16
Swiss Franc	1 5/8 - 1 1/2	2 3/16 - 2 1/16	2 3/16 - 2 1/16	2 1/4 - 2 1/8	2 3/16 - 2 3/16	2 7/16 - 2 5/16
Can. Dollar	4 1/16 - 3 7/8	4 1/8 - 3 15/16	4 1/8 - 4	4 3/16 - 4 1/16	4 11/16 - 4 7/16	4 27/32 - 4 21/32
US Dollar	5 1/4 - 5 1/8	5 5/16 - 5 3/16	5 3/8 - 5 1/4	5 7/16 - 5 1/4	5 11/16 - 5 1/2	6 - 5 13/16
Italian Lira	8 13/16 - 8 7/16	8 3/4 - 8 1/2	8 23/32 - 8 11/16	8 11/16 - 8 15/32	8 23/32 - 8 1/2	8 1/2 - 8 3/8
Yen	1/2 - 3/8	1/2 - 1/4	7/16 - 5/16	1/2 - 3/8	9/16 - 7/16	3/4 - 5/8
Asian $Sing	3 5/8 - 3 1/2	3 3/4 - 3 5/8	3 9/16 - 3 7/16	3 3/8 - 3 1/4	3 5/8 - 3 1/4	3 5/8 - 3 1/2

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.88	95.76	–0.10	95.88	95.73	51,182	49,432
Dec	95.84	95.71	–0.11	95.84	95.68	36,288	52,041
Mar	95.85	95.76	–0.08	95.85	95.75	7,948	35,807

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.84	96.83	-	96.84	96.82	12387	168274
Dec	96.79	96.79	+0.01	96.80	96.78	23531	233451
Mar	96.63	96.63	+0.03	96.65	96.61	11908	204943
Jun	96.39	96.39	+0.03	96.40	96.36	17371	145479

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.36	91.33	-0.01	91.36	91.28	12236	50893
Dec	91.87	91.80	-0.04	91.87	91.74	10003	47551
Mar	92.10	92.06	-0.02	92.12	92.04	2171	23570
Jun	92.13	92.14	-	92.15	92.11	708	17232

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.82	97.82	+0.03	97.84	97.80	5539	25863
Dec	97.82	97.81	+0.02	97.84	97.79	6317	33296
Mar	97.63	97.63	+0.04	97.64	97.60	923	12364
Jun	97.35	97.36	+0.04	97.37	97.33	211	4434

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.45	99.44	+0.09	99.45	99.45	48	n/a
Dec	99.29	99.29	+0.15	99.31	99.28	1900	n/a
Mar	99.13	99.12	+0.21	99.13	99.12	777	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.62	95.60	-0.04	95.62	95.60	1306	9025
Dec	95.61	95.60	-0.04	95.62	95.60	358	6590
Mar	95.54	95.55	-0.01	95.55	95.51	61	2986
Jun		95.35	-0.02			0	2949

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 28		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.76	16.62	4.853	2.028	4969	5.444	21.05	497.8	410.5	21.72	3.917	2.108	4.489	3.287	356.3	2.581
Denmark	(DKr)	53.30	10	8.862	2.587	1.081	2649	2.902	11.22	265.3	218.8	11.58	2.088	1.124	2.395	1.752	189.9	1.376
France	(FFr)	60.15	11.28	10	2.919	1.220	2989	3.275	12.66	299.4	246.9	13.06	2.356	1.268	2.703	1.977	214.3	1.552
Germany	(DM)	20.60	3.865	3.425	1	0.418	1024	1.122	4.337	102.6	84.58	4.474	0.807	0.434	0.926	0.677	73.41	0.532
Ireland	(I£)	49.30	9.249	8.196	2.393	1	2450	2.684	10.38	245.4	202.4	10.71	1.931	1.040	2.215	1.621	175.7	1.272
Italy	(L)	2.012	0.378	0.335	0.098	0.041	100.	0.110	0.424	10.02	8.261	0.437	0.079	0.042	0.090	0.066	7.170	0.052
Netherlands	(Fl)	18.37	3.446	3.054	0.892	0.373	912.9	1	3.867	91.44	75.41	3.989	0.720	0.387	0.825	0.604	65.45	0.474
Norway	(NKr)	47.51	8.912	7.898	2.306	0.964	2361	2.586	10	236.5	195.0	10.32	1.861	1.002	2.134	1.561	169.3	1.226
Portugal	(Es)	20.09	3.769	3.340	0.975	0.407	998.3	1.094	4.229	100.	82.47	4.363	0.787	0.424	0.903	0.660	71.58	0.518
Spain	(Pta)	24.36	4.570	4.050	1.182	0.494	1211	1.326	5.128	121.3	100.	5.290	0.954	0.514	1.095	0.801	86.80	0.629
Sweden	(SKr)	46.05	8.639	7.655	2.235	0.934	2288	2.507	9.693	229.2	189.0	10	1.804	0.971	2.069	1.514	164.1	1.188
Switzerland	(SFr)	25.53	4.789	4.244	1.239	0.518	1269	1.390	5.374	127.1	104.8	5.544	1	0.538	1.147	0.839	90.96	0.659
UK	(£)	47.43	8.898	7.885	2.302	0.962	2357	2.582	9.984	236.1	194.7	10.30	1.858	1	2.131	1.559	169.0	1.224
Canada	(C$)	22.26	4.176	3.700	1.080	0.451	1106	1.212	4.685	110.8	91.37	4.833	0.872	0.469	1	0.732	79.31	0.574
US	($)	30.42	5.708	5.058	1.477	0.617	1512	1.656	6.404	151.4	124.9	6.607	1.192	0.641	1.367	1	108.4	0.785
Japan	(Y)	28.07	5.265	4.666	1.362	0.569	1395	1.528	5.908	139.7	115.2	6.095	1.099	0.592	1.261	0.922	100.	0.724
Ecu		38.75	7.270	6.442	1.881	0.786	1926	2.109	8.157	192.9	159.1	8.415	1.518	0.817	1.741	1.274	138.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6772	0.6784	+0.0012	0.6783	0.6756	11,193	65,633
Dec	0.6815	0.6822	+0.0010	0.6822	0.6815	790	6,511
Mar	–	0.6855	–	–	–	2	955

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9312	0.9269	–0.0042	0.9315	0.9240	7,853	71,159
Dec	0.9310	0.9381	–0.0048	0.9420	0.9310	470	6,522
Mar	0.9500	0.9500	-	0.9500	0.9500	19	167

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8395	0.8403	+0.0011	0.8403	0.8367	8,268	37,955
Dec	0.8483	0.8470	+0.0005	0.8483	0.8452	195	3,477
Mar	–	0.8541	–	–	–	3	622

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5536	1.5594	+0.0050	1.5596	1.5524	7,810	51,692
Dec	1.5520	1.5580	+0.0050	1.5596	1.5520	332	1,657
Mar	–	1.5580	+0.0040	1.5580	–	3	9

UK INTEREST RATES

LONDON MONEY RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

BASE LENDING RATES

EMS EUROPEAN CURRENCY UNIT RATES

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

COMMODITIES AND AGRICULTURE

Supply setbacks fail to rouse copper market

By Kenneth Gooding, Mining Correspondent

The possibility of substantial interruptions to global copper supply was virtually ignored at the London Metal Exchange yesterday.

Problems building up for copper include:

- The Tsumeb copper smelter in Namibia has been put out of action by strikers. Gold Fields Namibia, Tsumeb's parent group, said production would be halted "for a long time";
- Employees at Codelco's Salvador mine in Chile have rejected a final pay offer and voted to go on strike. Codelco said strike action could begin tomorrow;
- Another dispute is in prospect at the Phelps Dodge mine at Chino, New Mexico, where a three-year contract expired at the end of June.

Nevertheless, in subdued trading yesterday, copper ended after-hours business at US$1,943 a tonne, down $1 from Tuesday's kerb close.

Analysts were divided about whether the market was right to be unexcited.

Mr Nick Moore at Flemings Global Mining Group said the supply interruptions would be transitory, whereas the copper market was going through a structural change and heading for a period of substantial supply surpluses. He predicted a surplus as big as 300,000 tonnes this year, "with the bulk of it generated in the remaining months of this year".

LME copper stocks were rising by about 10,000 tonnes a week, he pointed out, which would see another 200,000 tonnes in the exchange's warehouses by the year end if unchecked. Copper producers' stocks had risen by 16 per cent in the first half of this year to 669,000 tonnes. "Lower copper prices seem inevitable as this eventful year for copper draws to a close," he added.

However, Mr Robin Bhar, analyst at Brandeis, part of the Pechiney group, suggested that the market was taking too much of a relaxed attitude, particularly to the possibility of the Tsumeb smelter being out of action for the rest of this year and leaving the market short of 15,000 to 20,000 tonnes.

There were already signs of tightness in supply of copper for delivery on the LME in September, "and this could make the tightness excruciating". Mr Bhar is forecasting a copper supply surplus of 100,000 tonnes this year and 240,000 tonnes in 1997. "So the Tsumeb situation won't turn sentiment in the market – which is neutral to bearish – around overnight. But it might delay the growing surplus," he said.

Gold Fields Namibia said that "very extensive damage" had been caused to the 40,000-tonnes-a-year Tsumeb smelter. Striking employees had taken control of certain key areas, including the smelter and all mines, last Friday and continued to prevent access, although some essential services were being performed.

The company had obtained a court order declaring the strike unlawful but Namibian police had found it difficult to enforce.

Lonrho hangs fire on Kazakh gold tender

By Kenneth Gooding

The Kazakhstan government's embarrassment about its failure to attract foreign investment in Vasilkovskoye, one of the world's biggest gold deposits, seems set to continue for some time.

This became clear yesterday when Lonrho, the UK based conglomerate considered by Kazakhstan's State Property Committee to be the most likely candidate to tender for the controversial project now that it had become available again, indicated that it was in no hurry to accept the government's invitation to make an offer.

"We certainly won't jump in as the great saviour of the project," said Mr Chris Davies, technical director of Lonrho's mining operations.

He said he understood that, after the failure of the government to reach agreement with a consortium led by Teck Corporation of Canada, all previous bidders for Vasilkovskoye had been contacted and asked to tender again. The government wanted a quick response but Lonrho had not yet made up its mind whether to bid, he said.

However, if it did tender again, Lonrho would under no circumstances make any payments up-front. The only money it would be prepared to spend would be on a feasibility study, Mr Davies insisted.

Both Teck and Placer Dome, another Canadian group that had "exclusive" negotiating rights over Vasilkovskoye but pulled out, were willing to put up substantial deposits. Placer is still waiting for its US$35m deposit even though the deadline for its return by the government passed in June.

Since the project was put out to tender the first time in December 1994, the Kazakh government has also upset Dominion Mining, an Australian group that was under the impression it had exclusive rights to Vasilkovskoye, as well as the European Bank for Reconstruction and Development, which was advising on the tender process.

Mr Davies suggested that the Kazakh government would do well to reconsider its approach to attracting foreign investment in Vasilkovskoye. It might, for example, consider providing half the cost of a feasibility study to encourage potential investors.

He pointed out that, although Vasilkovskoye contained a great deal of gold – 6.5m troy ounces – the ore was very difficult to process and milling it would be very expensive.

A State Property Committee official indicated last week that negotiations with the Teck consortium had broken down because the Canadian group wanted guaranteed and fixed electricity prices as milling would require so much energy. The Kazakh government said it could not comply because it had privatised most power plants and given a pledge that prices would be liberalised.

British Gas expects more imports from Norway

By Robert Corzine in Stavanger, Norway

A reversal in the steady decline of Norwegian exports of natural gas to the UK could take place over the next few years in spite of a persistent surplus of domestically produced gas, according to British Gas.

Mr Pierre Jungels, the head of exploration at British Gas, said that the introduction of a genuine gas spot market in Britain could open niches for Norway, even though the overall market remained in surplus.

The gas spot market is expected to begin functioning in earnest over the next year or so as a result of the progressive liberalisation of the domestic gas market and the requirement that users of British Gas's pipeline network balance each day the amount of gas put into the system with that which they sell to customers.

The spot market will play a central role in achieving this daily balancing, and will eventually form the basis for a full-blown gas futures contract.

In a speech to the Offshore Northern Sea conference in the Norwegian port of Stavanger yesterday Mr Jungels suggested that there might be scope for "flexible supply arrangements to meet winter demand. . . if Norway is willing and able to fulfil that role. There may then be room for Norwegian gas in the UK long before the supply/demand balance appears to indicate".

As recently as 1985 Norway was supplying about 27 per cent of UK gas demand. But a sharp increase in UK gas production and a dispute between London and Oslo over future Norwegian exports has led to Norwegian gas exports into the UK falling to only 2 per cent of demand.

Mr Jungels said any additional Norwegian exports to the UK would be "marginal" compared with Oslo's ambitious plan to expand European gas exports from about 60bn cubic metres in the early part of the next decade to 80bn cu m.

He added that relatively cheap and plentiful UK supplies would be available for export from 1998, when they would "have an important influence on continental markets".

Although recent industry studies suggested that the UK gas surplus could dissipate by the end of the decade, Mr Jungels said: "There is a great deal of gas still waiting to be produced".

Comalco may join Chile project

By Nikki Tait in Sydney

Comalco, the Australian integrated aluminium producer that is controlled by the RTZ-CRA mining group, said yesterday that it had signed an agreement with Canada's Noranda that could allow the Australian group to acquire up to 50 per cent of Noranda's Alumysia project in Chile.

The project – which is only in its early stages – is looking at the possible development of an integrated hydro-electric and aluminium smelting plant in the south of the country, with a potential cost of US$2.5bn.

Noranda already holds enough water rights to supply a 270,000 tonne reduction plant, but Comalco said yesterday that the two groups were looking at the possibility of acquiring more water rights, and expanding the capacity to 420,000 tonnes. It added that preliminary studies on the expanded project and discussions with the Chilean government on the additional water rights were under way.

The companies also said that a Chilean power company could be involved in the ownership and operation of the hydro-electric facilities.

News that a formal agreement had been completed between Noranda and Comalco comes just days after the Australian company announced a sharp drop in profits for the half-year to end-June. It made A$43.9m (US$34.5m) after-tax (but before abnormals and extraordinary items), compared with A$155.1m in the same period a year earlier.

The downturn was blamed on lower primary aluminium prices, softer alumina markets and the stronger Australian dollar against the US currency. The company predicted little improvement in the aluminium price in the second half and acknowledged that the supply and demand situation was delicately balanced and could "move in either direction".

PNG gold mine 'ahead of schedule'

By Nikki Tait

Lihir Gold, the listed company that is developing the large Lihir gold mine on Papua New Guinean island of the same name, said yesterday that it expected to begin commissioning the oxide ore-processing facilities at the mine during May next year, ahead of schedule. As a result, the production forecast for 1997 has been revised upwards to 175,000 ounces, compared with 120,000 ounces previously.

Processing of sulphide ore should be able to commence by October next year, two months' ahead of the earlier forecast, Lihir said. It noted again that this should have a domino effect on the following year's production, which is now expected to top 550,000 ounces.

The company added that, at the end of July, engineering work was 92 per cent complete and construction around 36 per cent complete.

Coffee and cocoa weaker

London Commodity Exchange robusta COFFEE futures prices followed New York values downwards yesterday as profit-taking continued to weigh on both markets. But traders said good trade support limited losses.

"Generally it has done quite well," said one trader. "It just needs some back-up from fundamentals to keep it going."

The LCE's November delivery contract closed $57 down on the day at $1,633 a tonne, hovering around a critical support area, which technical analysts thought should hold.

Traders said that cool weather in Brazilian growing areas was providing background support, limiting the market's downside potential.

Technical analyst Ms Elli Gifford of Investment Research of Cambridge said this week's slide had hinted that the market could have seen the best of its strength for now.

LCE COCOA futures extended losses in active afternoon dealing as trade and speculative selling pushed prices to the edge of a key support area, traders said.

Some attributed the sales principally to investment funds while others said liquidation by trade houses was mainly responsible for the losses.

The key second-month December delivery contract closed at £990 a tonne, down £10 on the day, after hitting a session low of £985.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1449-50	1484.5-5.5
Previous	1442-43	1477-78
High/low		1486.5/1481
AM Official	1446-6.5	1482.5-3.0
Kerb close		1486-6.5
Open int.	217,094	
Total daily turnover	54,849	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1248-53	1283-8
Previous	1242-47	1277-80
High/low		1285
AM Official	1249-50	1281-5
Kerb close		1283-5
Open int.	4,674	
Total daily turnover	1,199	

■ LEAD ($ per tonne)

Close	802-3	803-4
Previous	798-99	801-02
High/low	802/801.5	805/798
AM Official	801.5-2.0	803-3.5
Kerb close		805-6
Open int	33,069	
Total daily turnover	8,006	

■ NICKEL ($ per tonne)

Close	7245-55	7345-50
Previous	7240-50	7340-45
High/low		7360/7300
AM Official	7215-20	7312-15
Kerb close		7360-70
Open int	37,302	
Total daily turnover	14,010	

■ TIN ($ per tonne)

Close	6115-25	6175-80
Previous	6115-25	6170-75
High/low		6175/6161
AM Official	010-10	6160-61
Kerb close		6170-75
Open int	14,382	
Total daily turnover	2,609	

■ ZINC, special high grade ($ per tonne)

Close	999-1000	1025-6
Previous	998-99	1024-25
High/low	1000	1029/1026
AM Official	999.5-1000	1026-6.5
Kerb close		1024-5
Open int	65,425	
Total daily turnover	19,192	

■ COPPER, grade A ($ per tonne)

Close	1975-7	1943-4
Previous	1981-83	1943-44
High/low	1972	1944/1934
AM Official	1972-3	1939-40
Kerb close		1943-4
Open int	201,170	
Total daily turnover	43,807	

■ LME AM Official £/$ rate: 1.5568
LME Closing £/$ rate: 1.5590

Spot: 1.5530 3 mths: 1.5524 6 mths: 1.5531 9 mths: 1.5541

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	90.85	-0.85	91.00	90.50	469	748
Sep	91.05	-0.05	91.50	90.15	2,906	6,988
Oct	90.95	+0.15	90.95	90.40	67	1,645
Nov	90.60	+0.30	-	-	11	1,348
Dec	90.20	+0.35	90.50	89.30	2,109	21,532
Jan	89.70	+0.35	-	-	20	992
Total						

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	388.35-388.65		
Opening	388.50-388.80		
Morning fix	388.65	249.647	464.942
Afternoon fix	388.50	249.118	463.247
Day's High	388.85-389.15		
Day's Low	388.20-388.50		
Previous close	388.80-389.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.48	6 months	4.07
2 months	4.45	12 months	4.05
3 months	4.42		

Silver Fix	p/troy oz.	US cts equiv.
Spot	334.00	521.15
3 months	338.95	527.75
6 months	342.95	534.60
1 year	351.70	548.30

Gold Coins	$ price	£ equiv.
Krugerrand	386-390	247-249
Maple Leaf	397.70-400.20	-
New Sovereign	86-90	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	388.5	-0.8	389.9	389.1	28	20
Sep	388.9	-0.9	-	389.0	2	2
Oct	390.0	-0.9	390.9	389.7	1,525	10,583
Dec	393.0	-1.0	394.1	392.9	11,755	75,069
Feb	395.5	-1.5	396.0	395.4	64	12,587
Apr	398.0	+1.5	398.0	399.0	17	5,996
Total					13,803	180,838

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	403.0	-2.1	404.5	402.7	1,095	18,870
Jan	405.2	-2.1	406.5	405.5	83	3,385
Apr	407.5	-2.1	409.0	409.0	60	3,182
Jul	410.3	-2.1	-	-	50	272
Oct	413.8	-2.1	-	-	8	2
Total					1,288	25,691

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	127.20	+0.35	127.75	126.00	833	2,405
Dec	128.15	+0.20	128.75	127.00	1,090	6,402
Mar	129.05	+0.20	128.50	128.50	83	171
Jun	130.10	+0.20	129.00	129.00	-	109
Total					2,006	9,087

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	517.2	-8.3	-	-	2	4
Sep	517.2	-6.8	523.5	515.0	15,528	17,211
Oct	519.8	-6.8	625.0	625.0	6,906	24
Dec	525.1	-6.6	532.0	523.0	15,320	52,165
Jan	528.2	-6.8	538.0	538.0	57	23
Mar	533.1	-6.6	538.0	532.0	176	9,505
Total					31,122	85,171

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	21.86	+0.40	22.10	21.35	25,179	82,884
Nov	21.46	+0.38	21.54	20.91	7,843	38,627
Dec	21.00	+0.37	21.05	20.50	3,937	45,635
Jan	20.57	+0.34	20.62	20.18	3,121	30,614
Feb	20.25	+0.37	20.25	19.88	875	22,088
Mar	19.90	+0.35	19.90	19.58	1,004	13,648
Total					46,946	380,004

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	20.46	+0.43	20.51	19.85	20,669	67,707
Nov	20.04	+0.38	20.10	19.59	5,621	20,749
Dec	19.65	+0.37	19.69	19.25	2,053	20,922
Jan	19.27	+0.36	19.30	18.90	1,248	13,961
Feb	18.90	+0.35	18.90	18.62	453	7,045
Mar	18.31	+0.11	18.31	18.24	711	6,680
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	62.50	+1.37	62.50	60.95	10,479	15,300
Oct	62.40	+1.35	62.45	60.85	9,914	29,803
Nov	62.25	+1.20	62.30	60.85	2,129	14,395
Dec	62.20	+1.15	62.30	60.90	2,525	26,407
Jan	61.60	+1.05	61.75	60.50	1,299	13,744
Feb	60.05	+1.05	60.15	59.05	332	7,634
Total					28,316	122,898

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	191.75	+2.50	192.25	187.75	7,173	22,846
Oct	189.75	+2.00	190.25	186.00	5,296	12,495
Nov	187.50	+2.00	187.75	183.75	1,284	7,921
Dec	185.50	+2.25	185.50	182.00	1,150	14,606
Jan	182.75	+2.25	182.75	179.75	617	6,361
Feb	178.50	+2.25	178.50	175.00	319	1,327
Total					16,507	75,233

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	1.895	+0.013	1.955	1.860	13,798	32,279
Nov	2.045	+0.006	2.110	2.020	3,074	14,886
Dec	2.170	-0.007	2.225	2.160	2,789	15,843
Jan	2.215	+0.006	2.256	2.200	2,510	13,846
Feb	2.155	-0.001	2.195	2.150	1,084	7,503
Mar	2.070	-0.015	2.115	2.070	619	5,804
Total					25,241	122,843

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	62.90	+1.69	62.90	61.10	12,980	14,381
Nov	60.40	+1.34	61.70	60.00	16,436	22,155
Dec	60.00	+1.09	60.30	58.50	3,710	8,940
Jan	58.80	+0.89	58.80	57.70	658	4,658
Feb	57.70	+0.45	57.70	57.70	475	4,220
Mar	57.60	+0.75	57.80	56.80	357	1,589
Total					39,282	58,186

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	109.15	+1.05	108.65	108.20	28	281
Nov	111.00	+0.90	111.05	110.00	193	3,014
Jan	113.00	+0.85	113.00	112.05	52	1,638
Mar	115.00	+1.00	115.00	115.00	10	924
May	117.00	+1.00	117.00	116.50	35	633
Jul	118.50	+1.00	115.75	115.75	-	67
Total					318	6,557

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	451.25	-7	459.00	450.50	3,854	11,384
Dec	455.00	-9	465.50	453.00	7,015	39,192
Mar	452.50	-10.75	464.00	451.50	586	8,823
May	430.00	-9	438.00	431.50	48	397
Jul	399.00	-6	406.00	400.00	163	3,588
Sep	402.00	-5	407.00	407.00	10	32
Total					11,676	63,533

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	367.75	-2	372.00	367.50	9,835	38,285
Dec	342.75	-6	350.75	342.50	29,526	183,007
Mar	349.75	-5.5	356.75	349.50	3,515	41,588
May	355.25	-5.25	362.00	355.00	1,004	14,307
Jul	354.25	-5	360.75	354.00	750	11,438
Sep	317.00	-3	321.00	317.00	135	1,222
Total					46,116	295,894

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	100.30	+0.55	100.10	100.00	4	80
Nov	103.25	+0.40	-	-	-	974
Jan	105.90	+0.80	106.00	105.50	13	501
Mar	107.75	+0.50	-	-	-	157
May	109.50	+0.35	-	-	-	65
Total					17	1,777

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	817.00	-7	830.50	816.00	5,854	9,654
Nov	788.75	-7	802.00	787.50	35,722	123,557
Jan	795.50	-6.5	808.00	794.00	4,033	20,955
Mar	800.50	-6	812.00	798.00	1,648	12,770
May	799.50	-7	811.00	798.50	1,043	10,841
Jul	798.00	-8.75	811.50	798.00	987	8,095
Total					49,536	189,771

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	25.11	-0.44	25.61	25.10	4,833	11,076
Oct	25.31	-0.44	25.82	25.33	3,715	14,170
Dec	25.74	-0.43	26.25	25.72	8,827	37,855
Jan	25.97	-0.44	26.50	26.05	389	6,797
Mar	26.33	-0.47	26.85	26.45	217	5,545
May	26.65	-0.47	26.91	26.73	614	3,888
Total					18,638	80,823

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	262.2	-0.2	264.9	262.1	8,361	18,649
Oct	254.6	-0.9	257.8	254.3	3,405	14,137
Dec	250.4	-1.3	254.5	250.0	9,688	36,120
Jan	248.2	-2.2	252.5	248.3	871	6,702
Mar	246.4	-2.1	251.0	246.0	1,732	5,145
May	243.2	-1.8	247.0	243.0	372	4,869
Total					24,553	88,842

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	72.5	-	-	-	-	-
Mar	75.0	-	-	-	-	-
Apr	80.3	-3.0	83.9	80.1	61	1,162
May	87.0	+2.0	86.0	86.0	15	3
Jun	85.0	-	-	-	-	-
Total					76	1,165

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	1115	-2	-	-	-	773
Sep	1142	-9	1145	1138	40	858
Oct	1235	-24	1251	1230	286	1,419
Jan	1266	-9	1273	1265	33	757
Apr	1283	-5	-	-	-	246
Jul	1138	-7	-	-	-	27
Total					394	4,088

	Close	Prev
BFI	1116	1119

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	989	-5	975	980	658	36,032
Dec	991	-9	999	985	2,563	36,456
Mar	1004	-8	1011	997	3,461	43,418
May	1018	-6	1025	1012	626	21,579
Jul	1034	-2	1037	1025	627	11,444
Sep	1051	+2	1050	1041	465	3,413
Total					8,784	171,676

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1331	+10	1330	1308	96	283
Dec	1371	+10	1376	1352	9,322	31,139
Mar	1405	+10	1408	1387	1,379	17,361
May	1421	+10	1422	1411	1,615	8,129
Jul	1440	+10	1430	1430	65	5,986
Sep	1455	+10	1458	1444	19	5,399
Total					12,521	75,919

■ COCOA (ICCO) (SDR's/tonne)

Aug 27	Price	Prev. day
Daily	1017.54	1025.31

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1666	-32	1676	1650	1,166	4,934
Nov	1632	-58	1650	1629	2,043	13,772
Jan	1583	-48	1607	1587	810	4,698
Mar	1560	-43	1575	1557	215	2,671
May	1543	-51	-	-	-	514
Jul	1530	-48	-	-	-	166
Total					4,234	28,758

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	127.30	-3.80	130.50	126.30	658	1,562
Dec	116.55	-2.65	119.40	115.25	6,929	20,109
Mar	110.90	-2.30	113.10	109.90	1,659	5,261
May	111.00	-1.00	112.25	109.60	95	1,768
Jul	110.75	-1.50	111.70	108.75	16	488
Sep	110.75	-1.50	111.25	108.50	30	170
Total					9,373	28,832

■ COFFEE (ICO) (US cents/pound)

Aug 27		Prev. day
Comp. daily	107.03	109.10
15 day average	103.82	103.23

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	349.0	-1.7	350.5	348.7	671	9,641
Dec	344.2	-1.8	346.0	343.4	623	4,406
Mar	338.7	+0.3	340.0	338.1	606	6,835
May	335.4	-0.1	336.5	335.4	187	2,958
Aug	334.3	+0.1	335.5	334.2	19	1,104
Oct	325.8	+0.1	327.0	325.5	80	1,058
Total					2,186	26,158

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.73	-0.01	11.74	11.67	9,394	70,175
Mar	11.39	-0.01	11.40	11.35	3,766	47,184
May	11.20	-0.01	11.20	11.16	1,682	18,394
Jul	10.85	-	10.87	10.83	1,038	13,226
Oct	10.69	-	10.71	10.68	384	8,340
Mar	10.50	-	10.51	10.51	201	823
Total					16,469	157,392

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	75.31	-0.54	75.85	74.50	1,669	6,664
Dec	76.11	-0.65	76.75	75.40	14,328	29,214
Mar	77.31	-0.59	77.80	76.65	1,389	7,988
May	77.80	-0.65	78.50	77.45	395	6,186
Jul	78.53	-0.72	79.25	78.30	71	4,629
Oct	77.50	+0.10	77.90	77.50	35	1,000
Total					18,057	58,988

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	120.50	-	120.25	119.60	1,323	4,092
Nov	114.80	-	114.80	113.70	1,639	8,286
Jan	114.25	-	114.00	113.25	174	4,887
Mar	115.35	-	114.00	114.00	5	1,385
May	116.35	-	115.05	115.05	1	355
Jul	117.35	-	118.00	118.00	1	191
Total					2,138	18,760

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

Nuts and Seeds
Prices from Kenkko Group: US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round); 1995 crop 3,600 CFR/FOT MEP, sold out; 1996 crop estimated 30% down from 1995's. US almonds (shelled): hot weather causing nuts to burn; 1996 crop, 23/25 NPSSR at 5,500 FAS California, shipment September-October. 18/20 NPSSR up from 5,500 to 5,600. US walnuts also affected by heat, crop estimate due September 6. Turkish hazelnuts, standard No 1 - prices still unclear; second hand market high at 3,500-3,600 ex-door Germany. Indian cashews raw: W-320, 5,750 spot Europe - quiet, mostly because of local holidays. Turkish apricots No 1 2,900 FOB MEP, supplies short. Israeli sunflower seed: up from 1,900 to 2,100 CFR MEP on tight availability.

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 28	Aug 27	month ago	year ago
1932.1	1962.9	1943.0	2240.5

■ CRB Futures (Base: 1967=100)

Aug 27	Aug 26	month ago	year ago
248.78	250.33	-	-

■ GSCI Spot (Base: 1970=100)

Aug 27	Aug 26	month ago	year ago
196.70	197.60	192.52	179.70

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	71.500	-0.225	71.725	71.250	5,359	42,537
Dec	67.800	-0.025	68.050	67.625	3,286	23,105
Feb	65.550	+0.075	65.750	65.300	1,206	14,679
Apr	66.975	+0.05	67.100	66.850	275	5,022
Jun	64.925	-	65.100	64.875	86	2,641
Aug	65.100	-	65.125	65.050	40	2,872
Total					10,262	90,858

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	53.175	-0.625	53.950	53.150	2,774	13,085
Dec	53.200	-0.55	53.825	53.100	1,807	10,584
Feb	74.575	-0.7	75.100	74.500	369	3,513
Apr	72.475	-0.675	73.100	72.400	120	1,511
Jun	77.875	-0.25	77.800	77.400	78	1,462
Jul	75.800	-	75.350	75.250	13	280
Total					5,271	30,882

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	88.525	-2.000	88.525	88.525	52	81
Feb	82.050	-2	83.850	82.050	1,468	4,895
Mar	81.625	-2	83.100	81.625	160	882
May	81.000	-1.95	82.050	80.950	21	308
Jul	81.500	-1.6	81.950	81.300	37	70
Aug	79.400	-0.3	79.400	79.400	11	18
Total					1,707	6,249

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1400	71	120	6	21
1500	14	60	48	58
1600	1	25	134	121

■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
1900	90	106	27	85
2000	37	64	74	141
2100	12	36	148	210

■ COFFEE LCE	Sep	Nov	Sep	Nov
1600	99	113	67	120
1650	75	94	93	151
1700	56	77	124	184

■ COCOA LCE	Sep	Dec	Sep	Dec
975	55	69	39	40
1000	43	56	52	52
1025	33	45	67	66

■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
2000	54	-	-	78
2050	36	48	-	-
2100	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$18.81-8.90	+0.28
Brent Blend (dated)	$20.57-0.65	+0.185
Brent Blend (Oct)	$20.42-0.46	+0.19
W.T.I.	$21.95-2.96x	+0.215

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$216-218	+1
Gas Oil	$193-194	+3
Heavy Fuel Oil	$100-102	
Naphtha	$196-198	
Jet fuel	$223-224	+2
Diesel	$195-196	+3

■ NATURAL GAS (Pence/therm)

Bacton (Sep)	14.70-14.90	+0.05

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

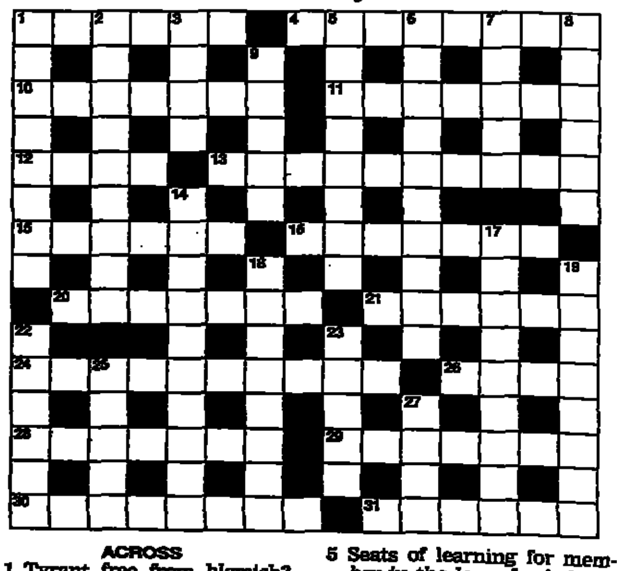
Gold (per troy oz)♣	$388.50	-0.45
Silver (per troy oz)♣	520.00c	-4.5
Platinum (per troy oz.)	$400.00	-0.50
Palladium (per troy oz.)	$125.25	+1.00
Copper	98.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.08r	+0.04
Tin (New York)	287.50	+1.00
Cattle (live weight)	94.03p	-1.70*
Sheep (live weight)	113.43p	+0.29*
Pigs (live weight)†	106.95p	+1.12*
Lon. day sugar (raw)	$308.00	+2.00
Lon. day sugar (wte)	$370.30	-0.70
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$141.5v	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	88.00p	+0.75
Rubber (Nov)♥	88.00p	+0.75
Rubber (KL RSS No1)	326.5m	-4.00
Coconut Oil (Phil)§	$760.0w	-15
Palm Oil (Malay.)§	$555.0	
Copra (Phil)§	$468.0z	
Soyabeans (US)	227.0	+3.0
Cotton Outlook 'A' index	74.95	
Wooltops (64s Super)	428p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. v Sep. x Oct. w Aug/Sep. z Aug/Sep. † London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,159 Set by BATS



ACROSS

1 Tyrant free from blemish? (6)
4 Maybe Moore lost cup, right? Wrong! (8)
10 Duck needs a way to follow another way (7)
11 See 27
12 Instrument without opening instrument (4)
13 Delightful democratic leader as worthy candidate (10)
15 Spoil most of wartime home (6)
16 Some places to develop a tapeworm (7)
20 Assumes the form of Harry Secombe (7)
21 Ears, part of ear and part of eye (6)
24 Oh tiny rib I broke is a hindrance (10)
26 Cycle needs wheeled races (4)
28 Clergyman is with it – come again? (7)
29 Roughly belt that man captured, one often hunted (7)
30 A beast dies, slaughtered for the lamb of God (5,3)
31 Between the wings of wren lies very strange heraldic beast (6)

DOWN

1 Lib-Dem upset by political interviewer (8)
2 Patience stretched a lot is followed by anger (9)
3 Prohibition overcome by love for port (4)
5 Seats of learning for member in the law of salad? (8)
6 Magical suspense (10)
7 Pulse found in broth (5)
8 Manmade fin for fish? Let me think (6)
9 Borders without opening borders (5)
14 This broom's dealt with blockage (10)
17 Old copper temperamental in Bedfordshire (9)
18 Group that's male or female – Man races in support (8)
19 Emperor Tip O' Trotsky (8)
22 The range of Romeo's successor in communications (6)
23 Time given to Muse (5)
25 Trench – a venue providing sanctuary (5)
27, 11 Yellow flower, as it happens, another colour (4-7)

Solution 9,158

E	X	T	R	A	C	T	■	S	T	I	R	R	U	P
N	■	E	■	P	■	O	■	A	■	D	■	I	■	O
R	U	S	E	S	■	R	E	D	R	E	S	S	E	R
O	■	T	■	I	■	M	■	I	■	A	■	E	■	T
B	R	A	S	S	I	E	R	E	■	L	A	R	G	E
E	■	M	■	■	■	N	■	■	■	I	■	■	■	N
D	R	E	A	D	■	T	R	A	N	S	P	O	R	T
■	■	N	■	I	■	O	■	L	■	T	■	F	■	■
C	A	T	H	E	D	R	A	L	■	S	O	F	I	A
A	■	■	■	T	■	■	■	O	■	■	■	C	■	T
S	O	C	K	S	■	B	A	C	K	C	L	O	T	H
H	■	H	■	H	■	R	■	A	■	A	■	L	■	L
I	T	I	N	E	R	A	N	T	■	N	O	O	S	E
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R	E	L	A	T	E	D	■	S	C	O	U	R	G	E

صكنا من الاجل

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OFFSHORE AND OVERSEAS

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	Selling Price	+or-	Yield Grs
A$ Accum	A$18.962	+0.018	8.05
ASch Accum	Sch248.20	+0.04	2.50
C$ Accum	C$18.817	—	3.30
DM Accum	DM39.315	+0.007	2.10
DFl Accum	Dfl31.586	+0.004	1.90
ECU Accum	Ecu13.456	+0.003	3.20
FFr Accum	FFr66.789	+0.014	2.80
HK$ Accum	HK$120.66	+0.04	4.30
Lira Accum	L23368	+14	8.00
NZ$ Accum	NZ$39.428	+0.029	8.90
NKr Accum	NKr111.86	+0.03	3.40
S$ Accum	S$25.857	+0.005	2.40
SPta Accum	Pta2712.7	+1.4	6.40
£ Accum	£13.044	+0.004	4.80
SKr Accum	SKr120.48	+0.04	4.20
SFr Accum	SFr29.363	+0.003	1.10
US$ Accum	$21.360	—	4.40
Yen Accum	Y2680.0	—	0.10

Prices for dealing August 28

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1286, Hamilton, Bermuda 001 809 292 2780
Jupiter Tyndall World Umbrella Fund Ltd

	Selling Price	Buying Price	+or-	Yield Grs
Equaband	$15.74	16.64	-0.02	3.42
Money (2)	$14.15	14.87	+0.01	2.58
Mortgage (2)	C$23.51	24.89	+0.02	7.43

Lloyds Intl Money Market Fund Ltd
Sarnia Hse, Le Truchot, St Peter Port 01481 724983
Lloyds Bank Fund Managers (Guernsey) Ltd

	Selling Price	+or-	Yield Grs
Australian Dollar ♦	A$35.8460	+0.0049	6.153
Canadian Dollar ♦	C$29.6030	+0.0038	3.381
Deutschmark ♦	DM69.3610	+0.0029	2.350
Dutch Guilder ♦	Dfl35.9580	+0.0030	1.933
ECU's ♦	Ecu38.6680	+0.0059	3.404
French Franc ♦	FFr197.8329	+0.0098	2.745
Italian Lira ♦	L83030.0860	+22.2086	8.295
Japanese Yen ♦	Y3400.3079	+0.0030	0.061
New Zealand Dollar ♦	NZ$95.1680	+0.0099	8.170
Norwegian Kroner ♦	NKr182.2270	+0.0039	3.809
Portuguese Escudos ♦	Esc3765.0720	+0.0098	6.590
Spanish Pesetas ♦	Pta5989.1220	+2.5309	6.749
Sterling Class ♦	£30.7430	+0.0159	4.903
Swedish Kronor ♦	SKr183.9210	+0.0099	4.424
Swiss Francs ♦	SFr80.8180	+0.0020	1.430
US Dollar Class ♦	$41.8480	+0.0050	4.553
Managed Sterling	£18.3220	+0.0050	4.642
Managed US$	$25.5410	+0.0020	4.221

Dealing daily

M & G (Guernsey) Ltd
Westbourne, The Grange, St Peter Port 01481 722663

	Init Chge	Selling Price	Buying Price	+or-	Yield Grs
Island Global Fd	0	1840.3	1960.3	+1.1	0.8
Island Gold	0	4578.1	4852.8	+58.9	-0.02
(Accum. Units)	0	8719.8	9246	+108.3	-0.07
Island UK Fd	0	1039	1101.3	+0.8	3.46
(Accum Units)	0	2502.5	2652.7	+2	3.45

Prudential Fund Managers (Guernsey) Ltd
Po Box 81, St Peter Port Guernsey 01481 707000
Prudential Money Funds Ltd

	Init Chge	Selling Price	Buying Price	+or-	Yield Grs
Managed Sterling		150.0	160.0	+0.1	4.80
Managed Dollar	5	$14.48	14.49	-0.01	3.78
Dollar Deposit		$10.12	10.13	—	3.80

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

Odey Asset Management Ltd
60 Harcourt Street, Dublin 2 00 3531 790 2400

	Selling Price	+or-	Yield Grs
Odey European Gth Inc.	DM154.29	—	-
Odey European Gth Acc.	DM154.29	—	-
Odey European Gth Inc.	£57.03	—	-
Odey European Gth Acc.	£57.29	—	-

Baring Mutual (Ireland) Ltd

	Selling Price	Buying Price	+or-	Yield Gross
Umbrella Fixed Inc.	$12.60	12.98	—	5.64
Greater America Fund '92	$86.74		—	0.00
Pacific Emerging 94 A	$85.08		—	0.00
Pacific Emerging 94 B	$82.77		—	0.00
Latin America	$07.08		+0.08	0.00

Berkshire KITC Growth Fund Plc

	Selling Price	+or-	Yield Gross
NAV	$8.10	-1.91	-

Berkshire Korea Fund Plc

	Selling Price	+or-	Yield Gross
NAV	$4.72	-0.68	-

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Ivory Growth Fund	£22.84	23.08	—	1.73
Lowes Aggressive Portfolio	£10.46	11.01	—	-
Lowes Defensive Pfolio	£12.04	12.62	—	-
Lowes Collective Pfolio Ltd	£11.25	11.80	—	-

TSB Fund Managers (CI) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
TSB Inland Pension	731.8	770.2	+0.4	-
Inland Equity Acc	128.8	135.5	+0.4	-

WMB Asset Management (Jersey) Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

4 Rue Jean Monet, L-2180 Luxembourg 352 4249402130

	Selling Price	Buying Price	+ or -	Yield Gross
Latin America Equity	$47.22	47.03	—	-
North America Equity	$74.59	78.38	—	-
Asian Tigers Equity	$80.80	81.21	—	-
Europe Equity	$70.27	70.82	—	-
Germany Equity	[illegible]	128.81	—	-
Japan Equity	$49.77	50.27	—	-
Europe Bond	$38.19	38.34	—	-
US Bond	$57.35	57.80	—	-
Global Bond	$59.18	58.33	—	-

Fidelity Funds (u)

Kansallis Hse, Place de L'Etoile, L-1021 Lux BP 2174

UK-01732 777377 Lux-00 352 250351/230

Major Market Funds

	Selling Price	+ or -	Yield Gr's
America	$2.247	+0.001	-
Europe	DM4.700	-0.005	-
International	$18.28	-0.02	-
Japan	Y738.1	-0.1	-
Pacific	$8.877	-0.017	-
South East Asia	$2.735	-0.019	-

Country Select Funds

Prices as at August 27

Fleming Group (u)

6 Route De Treves L-2633 Senningerberg Luxembourg

Mercury Asset Management S.A.

B.P. 1058, L-1010 Luxembourg

Mercury Selected Tst-SICAV (u)

Midland Intl Chrndl Fund SICAV(u)

LUXEMBOURG (REGULATED)(**)

Credit Suisse Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Swiss Bank Corporation

OFFSHORE INSURANCES

CMI Ins Co Ltd/Clerical Med Gen Life - Contd.

[illegible]

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

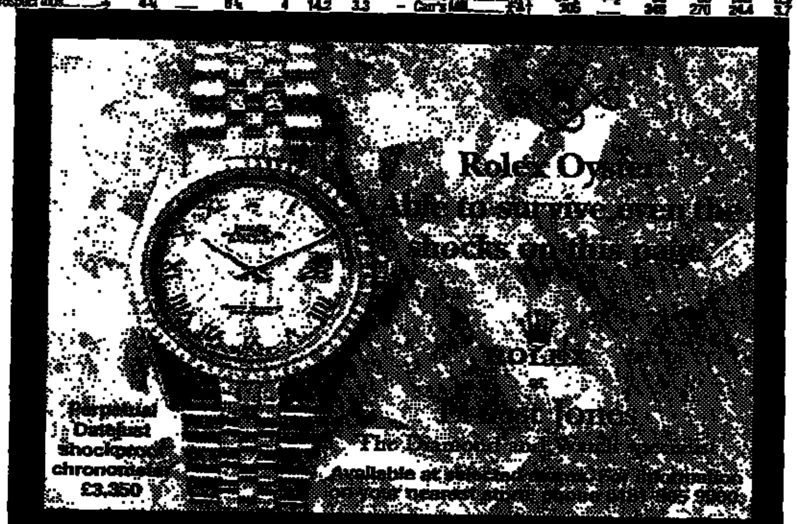
DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING



ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الاصل

صكذا من الاصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£22½	—	£34½	£22½	1,583	3.4	Φ
Barlow	$†	[illegible]	—	[illegible]	[illegible]	1,155	2.3	–
Gold Flds Prop R		137½	—	170	120	14.8	6.2	10.7
MK Props		80	—	88	75	3.22	11.3	–
SASOL	♥	645	—	710	475	3,777	1.7	–
SA Brews		£16½	—	£20½	£16¼	4,058	2.1	Φ
Standard Bank		£24⅛	+1	£32⅞	£21⅞	2,995	1.5	21.3
Tiger Oats	†	790	—	1270	770	1,189	2.0	16.3
Tongaat-Hulett		790xd	—	1247	735	747.3	2.3	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formats.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on [illegible] preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. [illegible] prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a [illegible]

FD (Foreign Income Dividend). G Forecast annualised yield, p/e based on [illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xCD ex capital distribution.

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LONDON STOCK EXCHANGE

MARKET REPORT

Bid stories help Footsie to new records

By Steve Thompson, UK Stock Market Editor

London's equity market was back on the fast track yesterday, with the FT-SE 100 pushing ahead to a new all-time closing high. The index also pierced its previous all-time intraday record.

The main driving forces behind the market's latest adventure into new ground was a successful outcome to the auction of £2.5bn-worth of gilts, better-than-expected trade figures for June and July and the strong recovery in sentiment in US stock and bond markets, both overnight and at the outset of trading yesterday.

In the background to the fundamentals boosting shares prices, was another burst of takeover speculation, specifically in the financial areas of the market, where the banks and insurance stocks made rapid progress.

And there was more encouragement for market traders in the gradual increase in turnover in equities.

At the end of a busy session the FT-SE 100 was left with a 13.0 gain at a closing record of 3,918.7.

Second-liners were also in good demand with the FT-SE Mid 250 index moving up 9.5 to 4,437.8. The Mid 250 is slowly reeling in its all-time high, 4,568.6, reached in April this year.

Dealers were impressed with London's overall performance, especially in view of a bout of jitters in the gilts market around midday when gilts briefly dipped into negative territory before stabilising. They eventually ended the day a couple of ticks higher across the board.

Earlier, it was the excellent outcome of the gilts auction, where there were bids for 2.7 times the amount of stock offered, and the good trade figures, that helped stimulate buying interest in equities.

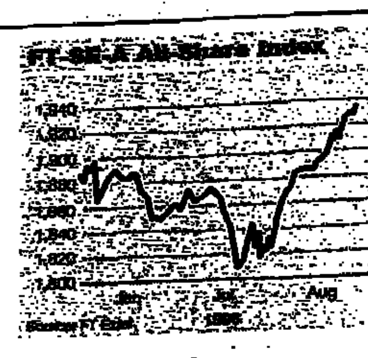
Apart from the mid-session wobble, the market was always looking to move higher in response to the fresh dose of bid speculation.

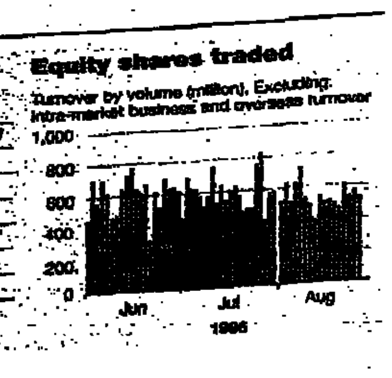
With the Dow Jones Industrial Average making good early progress, aided by a firm bond market ahead of the auction of $12.5bn-worth of 5-year bonds, the FT-SE 100 pushed ahead to a record intra-day high of 3,922.1, before coming off the top following a minor bout of profit-taking.

The day's big feature was the steep rise in Lloyds Abbey Life shares to a new peak amid a flurry of bid stories. These included a suggestion that the Prudential Group was about to launch an agreed offer for the life assurer as well as the more plausible talk that Lloyds TSB was about to bid for the minority 37 per cent stake in Lloyds Abbey.

Marketmakers were initially sceptical that the Pru would mount a bid for Lloyds Abbey but they refused to rule out such a move. Dealers said Lloyds TSB shares, the fourth best performers in the FT-SE 100 index, had been lifted by the prospect of the windfall resulting from any takeover of Lloyds Abbey.

Turnover in equities at the 6pm count came out at 623.9m shares, with non-FT-SE 100 stocks accounting for almost 60 per cent of the total.





Indices and ratios

FT-SE 100	3918.7	+13.0
FT-SE Mid 250	4437.8	+9.5
FT-SE-A 350	1960.5	+6.0
FT-SE-A All-Share	1936.24	+6.06
FT-SE-A All-Share yield	3.80	3.82
FT Ordinary index	2838.9	+3.6
FT-SE-A Non Fins p/e	17.54	17.47
FT-SE 100 Fut Sep	3942.0	+18.5
10 yr Gilt yield	7.87	7.88
Long gilt/equity yld ratio	2.17	2.15

Best performing sectors

1. Tobacco .... +2.4
2. Banks: Merchant .... +1.1
3. Gas Distribution .... +1.1
4. Banks: Retail .... +1.0
5. Insurance .... +0.9

Worst performing sectors

1. Paper: Pckg & Printing .... −0.9
2. Extractive Industries .... −0.7
3. Telecommunications .... −0.6
4. Electronic & Elect Equip .... −0.5
5. Retailers: Foods .... −0.4

Lloyds Abbey hints

By Joel Kibazo, Jeffrey Brown, Lisa Wood and John Dludlu

The market spotlight fell upon life assurance group Lloyds Abbey Life as its shares moved sharply ahead on speculation that it will soon be on the receiving end of a bid from Prudential Corporation.

Yesterday's talk was sparked by Monday's news of Prudential's disposal of its Mercantile & General reinsurance business in a £1.75bn deal. Prudential has signalled its intention to hit the acquisition trail and the better than expected price achieved from the sale of M&G was said by analysts to have significantly boosted the group's war chest.

However, several analysts suggested such a merger is unlikely and instead pointed to renewed talk in some quarters hinting that Lloyds TSB which owns 62.6 per cent of Lloyds Abbey is looking to buy the minority holding it does not already control.

The combination of both rumours sent shares in Lloyds Abbey soaring 32 to 592½p, in trade of 3.2m.

One analyst said: "I very much doubt the Pru is looking at Lloyds Abbey as it does not have the ideal profile of the type of company Prudential is looking for. It is better for the Pru to look to the mutual sector. It is more likely that it is Lloyds TSB looking to do a deal."

The market continued to cheer the Prudential deal and the shares hardened 3½ to 440½p, while a firm banking sector saw Lloyds TSB put on 8 to 380½p, in busy trade of 8.8m.

Allied Domecq was the best performer on the FT-SE 100, climbing 11 to 464½p after positive media comment and changed recommendations by a number of analysts in the wake of the sale of its share in Carlsberg-Tetley to Bass.

Credit Lyonnais Laing, which has been bearish on the stock and which only became a holder in April recommended a trading buy, while Kleinwort Benson put out a "buy" note on valuation grounds.

Mr Peter Lucas, an analyst at Credit Lyonnais Laing said the disposal of Carlsberg-Tetley would add 2p to earnings per share and left the shares on a 15 per cent discount to the market.

He said Allied's retail division stood to gain considerably from the new found freedom its pubs would have from the tie next year and from the expected lapse of a ceiling on how many pubs it could operate.

Bass added 7½ at 844p while Scottish & Newcastle, which is the other leading brewer, rose 8 to 678½p with positive comment in a note from NatWest Securities. It said that with 40 per cent of S & N's profits coming from brewing it would be a major beneficiary of any improvements in the underlying health of the industry.

Shell moved up 5½ at 946p after a "buy" note from ABN-Amro Hoare Govett, which said that European downstream restructuring would boost 1998 earnings forecast by 8 per cent to $1.1bn before tax.

The broker expects Shell to announce the European refinery rationalisation and a new management structure for the continent before year-end, but benefits would kick in next year and 1998.

After the restructuring, the oil multinational would combine its strong marketing and growth with improved refining system and more efficient cost control, ABN said.

Other firm stocks in the banking sector included National Westminster 7½ better at 680p, HSBC which put on 6 to 1164p, and Royal Bank of Scotland where the shares gained 4½ to 503p. Abbey National, 6 up at 610½p, was also wanted.

Electronic giant GEC dipped 5½ to 385p in 4.2m traded after a note from Salomon Brothers set a target price of 340p for the shares.

The broker argues that the restructuring benefits expected from GEC's new management have already been factored into the shares. It claims that the stock is trading on a top-heavy premium to the market.

Bus maker and motor distributor Henlys, which puts out an interim statement on Monday, shot to the top end of the FT-SE Mid 250 rankings with a gain of more than 4 per cent.

There was talk among brokers suggesting good half-year numbers, and sentiment was aided further by anecdotal evidence from the industry about strong car sales. Some analysts are betting that August registrations are running some 5 per cent ahead. The shares jumped 27½ to 667p.

Rolls-Royce, which reports interims today, added a further ¼ to 231p in turnover of 7.2m, aided by a positive recommendation from Merrill Lynch and hopes for good news from next week's Farnborough International air show. Avionics maker Smiths Industries put on 10 to a new all-time high of 752½p.

W.H.Smith fell 5½ to 510p after reporting its final results, which were ahead of most forecasts, but disappointed the market when it said that sales were patchy in the current year.

A number of analysts increased their forecasts because they had been bearish on the results, rather than an underlying upgrade. SBC Warburg increased its estimate by £10m to £130m and UBS moved its forecast from £115m to £120m.

Dairy Crest made a gold top debut, rising to 196½p from its issue price of 155p.

Stagecoach was well supported ahead of next week's annual meeting. The occasion is traditionally used by the bus and train operator as a platform for a trading statement, and this time round there are also hopes for acquisition news.

Stagecoach is the preferred bidder for Swedbus, the Swedish national bus group. The talk yesterday was that the group had clinched the deal. The shares added 6¼ to 507½p, in ex rights form.

Regent Inns recovered 6 to 223½p with Kleinwort Benson, its house broker, reiterating its buy stance.

Irish building materials group CRH continued to recover, gaining 16 to close at 649p.

The group has been linked to a possible £180m acquisition of Tilcon, a US unit of conglomerate BTR. And next week's interim results from the company are expected to be strong.

After the recent strong encouraging showing by the sector, most building materials shares met with profit-taking. Redland ended 3¼ down at 450p, while RMC closed 8½ softer at 1113½p.

Profit-taking in National Grid left the shares trailing 2 to 178p, the worst performer of the day in the Footsie.

FINANCIAL TIMES EQUITY INDICES

	Aug 28	Aug 27	Aug 23	Aug 22	Aug 21	Yr ago	*High	*Low
Ordinary Share	2838.9	2835.3	2838.0	2821.8	2808.4	2630.5	2885.2	2688.6
Ord. div. yield	4.01	4.02	4.02	4.04	4.06	4.09	4.22	3.76
P/E ratio net	17.18	17.15	17.16	17.05	16.98	15.68	17.28	15.80
P/E ratio nil	17.02	16.99	17.00	16.89	16.82	15.49	17.09	15.71

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2837.9	2843.5	2836.3	2839.7	2837.2	2836.2	2838.2	2839.2	2838.0	2844.4	2834.7

	Aug 28	Aug 27	Aug 23	Aug 22	Aug 21	Yr ago
SEAQ bargains	36,207	34,938	32,431	28,623	32,488	21,886
Equity turnover (£m)†	-	1296.5	1588.3	1480.2	1650.6	1304.9
Equity bargains†	-	38,003	36,048	33,547	36,850	32,879
Shares traded (mil)†	-	478.2	624.2	551.4	538.4	542.8

†Excluding intra-market business and overseas turnover.

	Aug 28	Aug 27	Aug 23	Aug 22	Aug 21	Yr ago	*High	*Low
FT-SE AIM	1068.20	1069.10	1076.60	1072.50	1071.50	-	1146.40	985.70

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	741	Total Highs	85	Total contracts	58,385
Total Falls	593	Total Lows	58	Calls	35,036
Same	1,245			Puts	23,349

Aug 28 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3927.0	3941.0	+17.5	3944.0	3924.0	10140	60025
Dec	3954.0	3962.5	+17.0	3962.0	3946.0	964	6191
Mar		3973.0	+17.5			0	330

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		4443.0	+9.0			0	3769

■ FT-SE 100 INDEX OPTION (LIFFE) (*3919) £10 per full index point

	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P	4000 C	4000 P	4050 C	4050 P	4100 C	4100 P
Sep	195	3	146½	6	103	12	63½	23	32	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	209	14½	164½	20½	124½	30½	88½	45½	59½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	222½	23½	182½	33	143½	44½	111	62½	81	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	247	37	209	47½	171½	61½	137	79	105½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun†			290½	125½			229	161½			[illegible]	[illegible]				

Calls 11,795 Puts 4,814

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P	3975 C	3975 P	4025 C	4025 P	4075 C	4075 P	4125 C	4125 P
Sep	166½	4½	124	8½	82	16½	48	30	21½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	183½	14	141½	21½	105½	33	69	48	44½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	201	26½	160½	35½	126	49	93	66½	65½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec			187½	52½			120	83			[illegible]	[illegible]				
Mar†			234	91			174½	128								

Calls 11,059 Puts 11,680 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	-	100	100	Amer Opps Ln 03/06	100		-	-	-	-
-	F.P.	12.5	68	65	†Barbican Hlthcre	65		-	-	-	-
§110	F.P.	11.0	175	120	†Chemical Design	160	+½	-	-	-	-
-	F.P.	216.7	196	193½	Dairy Crest Grp	196		W8.1	2.7	5.8	8.1
*	F.P.	5.17	4	4	†Dentmaster	4		-	-	-	-
§	F.P.	67.5	679½	673½	Egypt Trust	673½	−1	-	-	-	-
§145	F.P.	50.7	246	148	†Elec Retail Sys	241		-	-	-	-
§	F.P.	2.49	63	41	†Fayrewood	47½		-	-	-	-
16	F.P.	6.82	19	17	†Gabriel Trust	19		-	-	-	-
§	F.P.	18.5	63	59½	†Gall Thomson Env	59½		W-	-	-	6.6
§65	F.P.	18.2	65	65	Hambros Sm Asn C	65		-	-	-	-
§100	F.P.	24.4	98	94	Hoare Gvt 1000 C	97½	+½	-	-	-	-
§12	F.P.	0.60	15	12	†Life Numbers	12		-	-	-	-
§	F.P.	0.18	6	2	†Life Numbers Wts	5		-	-	-	-
-	F.P.	4.65	16½	13	†London & Ed.Publ	15¼		b0.25	3.9	2.0	11.6
-	F.P.	0.38	6	3	Pembarstone Wrts	6		-	-	-	-
§100	F.P.	79.6	96	90¼	Schroder Em Ctrs	91¼	+¾	-	-	-	-
§	F.P.	6.28	37	31	Schroder Em Wts	36	−½	-	-	-	-
-	F.P.	40.9	375	343	Schroder Em Ct.C	372	+4½	-	-	-	-
§66	F.P.	13.3	70	66	†Selector	66		-	-	-	-
145	F.P.	475.5	163	155	Somerfield	158½	+1	W8.0	2.5	7.1	7.0
-	F.P.	-	89½	85	St James Place	88½	+½	-	-	-	-
-	F.P.	-	73	70	Value Rlstn Tst	70	−1½	-	-	-	-
§70	F.P.	6.34	72	70½	Walker, Crips	70½	−½	3.0	2.2	5.3	10.9
-	F.P.	5.02	130	120	†West 175 Ents	130		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Aug 27	% chg on day	Aug 26	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (30)	2067.75	+0.1	2065.51	2037.24	1.82	-	2620.73	1722.98
■ Regional Indices								
Africa (13)	2633.48	+1.6	2592.70	2840.69	3.04	37.13	3553.86	2272.74
Australasia (6)	2415.45	−1.1	2441.40	2438.31	2.38	23.71	2927.34	2123.50
North America (11)	1847.95	−0.4	1854.46	1749.33	0.71	68.28	2186.39	1468.94

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FT - SE Actuaries Share Indices — The UK Series

	Aug 28	Day's chge%	Aug 27	Aug 23	Aug 22	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3918.7	+0.3	3905.7	3907.5	3891.1	3504.0	3.99	2.06	15.17	133.81	1623.05
FT-SE Mid 250	4437.8	+0.2	4428.3	4424.8	4402.5	3908.4	3.40	1.64	22.43	127.08	1796.55
FT-SE Mid 250 ex Inv Trusts	4474.6	+0.2	4465.1	4460.5	4437.3	3922.3	3.49	1.68	21.37	133.51	1814.90
FT-SE-A 350	1960.5	+0.3	1954.5	1954.9	1946.3	1747.6	3.87	1.98	16.30	64.65	1658.14
FT-SE-A 350 Higher Yield	1871.2	+0.3	1865.5	1869.8	1859.6	1734.7	5.18	1.88	12.83	82.80	1331.12
FT-SE-A 350 Lower Yield	2057.2	+0.3	2050.8	2053.3	2040.4	1764.9	2.68	2.16	21.52	46.98	1454.09
FT-SE SmallCap	2162.78	+0.2	2158.95	2157.16	2150.68	1965.65	3.04	1.66	24.72	45.22	1785.80
FT-SE SmallCap ex Inv Trusts	2154.46	+0.2	2150.99	2148.40	2141.98	1942.40	3.25	1.75	22.04	47.52	1790.56
FT-SE-A ALL-SHARE	1936.24	+0.3	1930.18	1930.75	1922.49	1728.20	3.80	1.97	16.72	62.07	1662.30

■ **FT-SE Actuaries All-Share**

	Aug 28	Day's chge%	Aug 27	Aug 23	Aug 22	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3664.37	+0.2	3655.84	3684.77	3668.72	2948.01	3.71	1.63	20.69	93.81	1585.30
12 Extractive Industries(6)	4296.67	−0.7	4326.51	4333.61	4285.25	4032.17	3.73	2.52	13.29	109.19	1264.37
15 Oil, Integrated(3)	3744.18	+0.4	3730.10	3781.70	3781.08	2937.49	3.90	1.48	21.67	100.98	1663.21
16 Oil Exploration & Prod(15)	2672.85	+0.4	2661.09	2650.68	2651.97	2054.48	1.96	1.52	41.86	34.94	1609.81
20 GEN INDUSTRIALS(274)	2055.06	−0.1	2056.29	2047.21	2034.86	2007.05	4.21	1.82	16.35	57.53	1134.61
21 Building & Construction(34)	1179.96	−0.2	1182.16	1180.69	1173.34	961.88	3.51	1.63	21.78	23.17	991.77
22 Building Matls & Merchs(29)	1951.54	−0.1	1953.19	1954.70	1932.91	1819.51	3.92	1.71	18.66	47.61	992.97
23 Chemicals(25)	2415.60	−0.3	2423.71	2423.82	2402.04	2479.94	4.18	1.84	18.23	77.42	1160.34
24 Diversified Industrials(18)	1542.34	+0.1	1540.77	1516.67	1521.81	1854.96	6.76	1.64	11.30	62.91	874.44
25 Electronic & Elect Equip(36)	2366.62	−0.5	2379.35	2381.17	2367.33	2101.79	3.30	1.54	24.69	57.55	1244.58
26 Engineering(71)	2514.55	+0.3	2506.22	2496.92	2477.16	2145.09	3.20	2.43	16.06	56.31	1539.88
27 Engineering, Vehicles(14)	3175.13	+0.9	3146.59	3124.98	3109.04	2539.07	3.35	2.01	18.57	88.71	1868.32
28 Paper, Pckg & Printing(26)	2723.46	−0.9	2749.45	2738.88	2706.88	2926.88	3.79	1.97	16.80	64.94	1144.43
29 Textiles & Apparel(19)	1260.01	+0.2	1257.06	1263.06	1260.54	1676.29	5.62	1.56	14.28	43.62	778.70
30 CONSUMER GOODS(91)	3670.73	+0.8	3642.54	3640.33	3628.70	3324.18	3.84	1.95	16.69	115.72	1376.57
32 Alcoholic Beverages(6)	2915.90	+0.8	2893.03	2888.23	2866.65	2800.77	4.38	1.82	17.84	91.68	1066.15
33 Food Producers(24)	2540.01	—	2539.49	2541.93	2549.75	2543.50	4.10	1.91	15.97	70.59	1158.64
34 Household Goods(15)	2598.82	+0.6	2583.52	2578.43	2578.39	2679.51	3.83	2.15	15.20	59.03	998.30
36 Health Care(20)	2018.85	—	2019.81	2019.65	2012.70	1931.40	2.71	2.18	21.10	36.89	1234.44
37 Pharmaceuticals(13)	5507.94	+0.9	5461.20	5480.86	5462.80	4343.76	3.07	2.06	19.76	151.62	1898.30
38 Tobacco(1)	3788.48	+2.4	3697.54	3808.60	3574.71	4324.38	6.92	2.06	8.79	262.07	975.08
40 SERVICES(253)	2599.23	+0.1	2596.13	2596.00	2579.73	2193.51	2.83	2.01	22.01	61.44	1365.83
41 Distributors(31)	2860.68	+0.2	2855.27	2847.80	2824.37	2783.38	3.06	1.75	23.44	58.73	1063.38
42 Leisure & Hotels(24)	3245.61	—	3244.21	3245.85	3216.23	2495.59	2.70	1.99	23.28	154.60	1754.91
43 Media(45)	4442.65	+0.1	4437.78	4414.54	4356.76	3317.82	2.04	2.01	30.48	80.96	1622.05
44 Retailers, Food(14)	2030.30	−0.4	2038.91	2049.51	2040.55	2224.10	3.78	2.36	14.01	55.17	1307.08
45 Retailers, General(44)	2168.40	+0.2	2163.14	2167.63	2155.26	1790.69	2.95	2.04	20.72	47.79	1250.22
47 Breweries, Pubs & Rest.(24)	3197.27	+0.6	3177.14	3179.33	3170.33	2606.70	3.18	1.99	19.80	67.05	1549.74
48 Support Services(49)	2482.26	+0.4	2473.07	2450.92	2476.12	1796.02	1.92	2.33	27.97	35.71	1586.52
49 Transport(22)	2403.19	—	2403.44	2425.93	2414.07	2292.24	3.95	1.56	20.30	67.17	1015.02
60 UTILITIES(32)	2368.92	−0.2	2372.66	2371.78	2354.23	2564.30	5.42	1.89	12.23	157.10	1054.17
62 Electricity(11)	2433.77	−0.1	2437.26	2425.25	2427.97	2659.35	6.67	2.40	7.81	423.39	1314.72
64 Gas Distribution(2)	1399.48	+1.1	1384.10	1383.85	1386.86	1878.15	8.56	1.36	10.76	86.67	734.04
66 Telecommunications(8)	2009.13	−0.6	2020.68	2028.59	1997.27	2196.15	4.02	1.53	20.34	50.32	933.20
68 Water(11)	2266.88	+0.4	2257.96	2247.32	2240.95	2060.48	6.07	2.32	8.89	94.85	1282.07
69 NON-FINANCIALS(684)	2039.59	+0.2	2035.64	2035.87	2025.39	1857.77	3.79	1.88	17.54	65.38	1571.27
70 FINANCIALS(104)	3149.60	+0.9	3122.40	3125.87	3123.96	2535.03	4.18	2.41	12.43	111.10	1381.38
71 Banks, Retail(8)	4504.18	+1.0	4459.00	4470.60	4468.11	3468.47	4.03	2.71	11.47	174.00	1506.13
72 Banks, Merchant(6)	3763.66	+1.1	3721.58	3715.42	3704.59	3793.26	2.63	2.50	19.01	63.39	1201.13
73 Insurance(22)	1497.21	+0.9	1483.52	1485.06	1479.71	1306.39	5.60	2.34	9.56	59.33	1143.85
74 Life Assurance(7)	3538.06	+0.6	3518.46	3513.44	3529.74	2751.91	4.21	2.21	13.42	103.40	1484.35
77 Other Financial(20)	2624.66	—	2623.82	2614.32	2611.59	2245.86	4.04	1.70	18.17	77.11	1515.73
79 Property(41)	1637.27	+0.7	1626.30	1623.15	1620.67	1448.97	3.90	1.24	25.84	40.91	1020.09
80 INVESTMENT TRUSTS(127)	3201.20	+0.2	3193.38	3194.74	3184.71	2962.60	2.22	1.11	50.89	50.33	1125.62
89 FT-SE-A ALL-SHARE(895)	1936.24	+0.3	1930.18	1930.75	1922.49	1728.20	3.80	1.97	16.72	62.07	1662.30
FT-SE-A Fledgling	1238.62	+0.1	1238.92	1238.67	1238.84	1064.59	2.75	2.32	19.54	23.24	1305.58
FT-SE-A Fledgling ex Inv Trusts	1252.13	—	1251.83	1251.11	1249.36	1057.95	2.95	2.50	16.93	25.22	1319.75

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3908.6	3918.9	3910.8	3916.0	3913.5	3911.9	3913.9	3918.2	3919.3	3922.1	3908.6
FT-SE Mid 250	4430.9	4433.5	4433.7	4434.1	4433.8	4432.9	4434.0	4435.7	4437.1	4437.9	4430.9
FT-SE-A 350	1955.9	1960.1	1957.0	1959.1	1958.1	1957.4	1958.3	1960.1	1960.7	1961.8	1955.9

Time of FT-SE 100 Day's high: 3:42 PM Day's low: 8:30 AM. FT-SE 100 1996 High: 3918.7 (28/08/96) Low: 2954.2 (22/01/96).

■ **FT-SE Actuaries 350 Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1175.9	1175.9	1175.7	1174.9	1174.9	1174.7	1174.7	1174.7	1173.5	1173.0	1175.7	−2.7
Pharmaceuticls	5401.1	5412.9	5403.4	5409.1	5404.3	5405.6	5413.9	5422.0	5436.9	5435.9	5396.1	+39.8
Water	2247.6	2248.8	2250.0	2245.1	2245.6	2246.1	2245.5	2249.6	2252.1	2254.8	2249.4	+5.4
Banks, Retail	4514.8	4532.0	4533.3	4543.1	4544.0	4549.5	4554.9	4557.4	4566.0	4561.7	4515.1	+46.6

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TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are rounded. Source: FT Extel.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

	Aug 28	Aug 27	Aug 26	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	15934.12	15452.48	19881.85	20/5	16297.25	22/8
Australia							
All Ordinaries(1/1/80)	2284.2	2263.3	2282.1	2326.00	29/4	2098.10	17/7
All Mining(1/1/80)	1022.3	1012.4	1022.2	1118.40	8/5	934.80	16/7
Austria							
Credit Aktien(30/12/84)	354.02	354.28	351.37	394.99	31/5	348.85	22/7
Traded Index(2/1/91)	1035.60	1035.83	1028.56	1142.61	29/5	975.27	2/1
Belgium							
BEL20(1/1/91)	1743.05	1751.55	1758.02	1773.28	29/5	1574.80	2/1
Brazil							
Bovespa(29/12/83)	(u)	61261.0	60261.0	68522.00	12/7	43901.09	2/1
Canada							
Metals Mins♦(1975)	(u)	5317.40	5336.67	5624.60	8/5	4697.47	16/1
Composite♦(1975)	(u)	5173.80	5166.70	5246.40	31/5	4739.70	15/1
Portfolio§§(4/1/83)	(u)	2518.56	2523.52	2585.55	27/5	2327.38	12/1
Chile							
IGPA Gen¶(31/12/80)	(u)	5322.95	5325.60	5894.33	8/1	5215.28	8/4
Denmark							
CopenhagenSE(3/1/83)	424.40	423.31	423.23	424.40	28/8	368.40	2/1
Finland							
HEX General(28/12/90)	2136.12	2129.12	2131.31	2136.12	28/8	1681.57	10/1
France							
SBF 250(31/12/90)	1370.23	1375.37	1376.44	1487.56	6/6	1289.16	2/1
CAC 40(31/12/87)	2082.90	2017.99	2030.42	2146.29	30/4	1887.86	11/1
Germany							
FAZ Aktien(31/12/58)	901.00	897.50	896.17	911.74	5/7	818.56	2/1
Commerzbank(1/12/53)	2822.10	2808.90	2804.3	2827.80	5/7	2370.10	2/1
DAX(30/12/87)	2563.16	2558.84	2552.36	2593.48	5/7	2284.86	2/1
Greece							
Athens SE(31/12/80)	945.66	948.25	948.58	1017.96	4/3	872.89	7/8
Hong Kong							
Hang Seng(31/7/64)	11379.49	11338.93	(c)	11594.99	16/2	10204.87	2/1
India							
BSE Sens.(1979)	(c)	3438.80	3433.55	4069.26	18/6	2826.08	25/1
Indonesia							
Jakarta Comp.(10/8/82)	549.42	549.52	552.74	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2551.26	2529.35	2523.32	2666.19	18/6	2234.63	2/1
Italy							
Banca Comm Ital(1972)	605.36	602.98	602.82	674.60	20/5	572.21	27/3
MIB General(2/1/86)	1026.0	1022.6	1022.0	1142.00	20/5	986.00	27/3
Japan							
Nikkei 225(16/5/49)	20709.81	20810.27	20683.74	22666.80	26/6	19734.70	13/3
Nikkei 300(1/10/82)	292.63	294.49	294.49	319.70	26/6	284.48	11/3
Topix(4/1/68)	1572.12	1583.12	1582.97	1722.13	26/6	1524.12	13/3
2nd Section(4/1/68)	2110.06	2106.93	2114.30	2251.48	2/7	1962.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1111.33	1113.45	1116.37	1198.54	30/4	993.18	2/1
Mexico							
IPC(Nov 1978)	(u)	3433.75	3357.17	3433.75	27/8	2736.36	8/3
Netherland							
CBS TtlRtnGen(End 83)	642.8	639.6	636.4	652.80	12/8	538.50	2/1
CBS All Shr(End 83)	380.1	378.2	378.4	387.10	12/8	326.70	2/1
New Zealand							
Cap. 40(1/7/86)	2240.49	2219.07	2219.97	2240.49	28/8	2025.14	7/6
Norway							
Oslo SE(Ind)(2/1/83)	1360.40	1372.01	1371.96	1466.71	12/6	1258.88	30/1
Philippines							
Manila Comp(2/1/85)	3200.98	3198.39	3210.30	3374.40	5/7	2578.97	2/1
Portugal							
BVL 30(4/1/93)	1976.16	1972.24	1958.35	1976.16	28/8	1802.81	2/1
Singapore							
SES All-S'pore(2/4/75)	540.31	539.10	538.34	610.37	5/2	522.15	30/7
South Africa							
JSE Gold(28/9/78)	1786.9¶	1785.7	1758.1	2030.40	29/5	1346.40	2/1
JSE Ind.(28/9/78)	7837.5¶	7799.5	7724.3	8738.30	25/1	7592.40	21/8
South Korea							
KoreaCompEx**(4/1/80)	753.34	761.75	788.89	986.84	7/5	753.34	28/8
Spain							
Madrid SE(30/12/85)	358.48	357.81	355.31	376.25	1/7	323.75	11/1
Sweden							
AffarsvardsGen(1/2/37)	2013.4	2010.3	1993.8	2018.00	6/6	1708.60	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1758.81	1773.86	1772.21	1811.66	11/7	1516.19	17/1
SBC General(1/4/87)	1244.74	1252.34	1250.11	1284.98	11/7	1114.47	26/1
Taiwan							
WeightedPr.**(30/6/66)	6256.76	6232.53	6200.46	6580.43	29/6	4690.22	6/2
Thailand							
Bangkok SET(30/4/75)	1105.84	1094.59	1095.44	1415.04	6/2	1084.04	31/7
Turkey							
Istanbul Cap.(Jan 1986)	64066.8	64119.6	64668.5	73631.30	8/7	38779.30	2/1
WORLD							
MS Capital Intl$(1/1/70)	(u)	772.3*	772.5	783.20	1/7	725.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1660.30	1657.29	(c)	1769.78	4/7	1604.40	11/1
Euro Top-100(26/6/90)	1428.89	1429.97	1426.03	1468.28	26/4	1339.01	11/1
HSBC JC Drgn(31/12/88)	(u)	375.44	376.74	383.18	16/4	344.19	2/1
MG Brngs Emrg(7/1/92)	158.59	157.24	157.78	185.91	4/7	147.36	2/1

US INDICES

Dow Jones	Aug 27	Aug 26	Aug 23	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5711.27	5693.89	5722.74	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	102.02	102.04	102.24	106.69 (14/2)	100.99 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2071.03	2057.76	2061.50	2298.20 (22/5)	1882.71 (18/1)	2298.20 (22/5/96)	12.32 (8/7/32)
Utilities	218.94	217.93	217.16	234.00 (12/2)	204.86 (30/7)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5735.32 (5742.71) Low 5670.56 (5686.41) (Theoretical♦)
Day's high 5712.01 (5733.10) Low 5690.93 (5675.39) (Actual♦)

Standard and Poors	Aug 27	Aug 26	Aug 23	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	666.40	663.88	667.03	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials¶	786.75	783.70	787.48	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	69.79	69.57	69.97	70.88 (22/8)	58.67 (10/1)	70.88 (22/8/96)	8.64 (1/10/74)
NYSE Comp.	357.15	355.89	357.23	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	582.05	580.62	580.94	614.99 (22/5)	525.60 (16/7)	614.99 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1149.02	1139.22	1143.06	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Aug 23	Aug 16	Aug 9	Year ago
Dow Jones Ind. Div. Yield	2.21	2.18	2.21	2.50
	Aug 21	Aug 14	Aug 7	Year ago
S & P Ind. Div. yield	2.02	2.04	2.03	2.07
S & P Ind. P/E ratio	21.74	22.04	21.16	18.68

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Pepsico	9,151,400	31	-½
Autozone	3,752,100	27⅞	+⅞
Philip Mr	3,177,500	91⅝	+1⅝
Olympic Fn	2,851,900	26¾	+2¼
Tele Mex	2,448,400	34⅛	+⅛
Seagate Tc	2,439,000	51⅛	-⅞
RJR Nabsc	2,424,000	26⅝	+¼
Hewlett-Pk	2,341,300	45⅛	+⅛
SW Airlns	2,033,800	23½	-⅜
Canad Pac	2,032,700	22⅞	+⅛

■ TRADING ACTIVITY

● Volume (million)	Aug 27	Aug 26	Aug 23
New York SE	306.352	281.407	308.010
Amex	18.224	19.296	15.638
NASDAQ	508.551	432.267	446.264
NYSE			
Issues Traded	3,191	3,169	3,175
Rises	1,393	871	1,002
Falls	904	1,343	1,278
Unchanged	894	955	897
New Highs	76	61	72
New Lows	16	23	19

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 × Index)							
Aug	2020.0	2001.5	-19.0	2020.0	1995.0	24,939	20,281
Sep	2026.0	2007.0	-19.0	2026.0	2001.0	13,615	22,880
■ DAX							
Sep	2575.0	2563.5	-5.0	2577.0	2558.5	13,162	-
Dec	2592.0	2581.5	-4.5	2594.5	2577.0	807	-
■ OMX							
Sep	1573.00	1570.05	+1.25	1574.25	1561.00	2,733	21,761
Oct	-	-	-	-	-	-	-
■ SOFFEX							
Sep	3727.0	3700.0	-27.0	3727.0	3683.0	3,880	25,214
Oct	-	3706.0	-	-	-	5	659

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	666.70	666.90	+0.20	667.95	666.70	42,459	167,810
Dec	673.40	672.95	+0.25	673.50	673.00	2,847	20,537

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	20910.0	20720.0	-230.0	21040.0	20670.0	23,070	218,420
Dec	20920.0	20720.0	-230.0	21060.0	20700.0	13,379	69,606

Open interest figures for previous day.

** Sat Aug 24: Taiwan Weighted Price 6160.66; Korea Comp Ex 782.13. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: Aug 28 - 2558.84 -5.95.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

* Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, August 28, 1996

	Stocks Traded	Closing Prices	Change on day
TYK Corp	6.8m	1520	-30
NKK Corp	6.5m	294	+1
Mitsui Matushima	5.9m	675	-21
Janome Sewing	4.6m	475	-25
Tk Kikai Seisak	4.0m	1010	+10
Toyota Motor	4.0m	2660	-10
Teisan	3.3m	830	-26
Taiheiyo Kohatsu	3.1m	538	+19
Clarion	3.0m	571	-12
Honda Motor	2.8m	2570	+10

4 pm close August 28

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev Close
23¼	17¾	AAR	0.48	2.3	21	189	21	20⅝	21	+⅛
46⅛	35⅛	AMP	1.00	2.6	18	2222	38⅝	38¼	38½	+⅛
87½	65	AMR			17	4126	87	85¼	85¼	-⅝
50½	37⅞	ASA x	2.00	5.0	28	73	40⅛	40	40⅛	-¼
47¾	36⅛	AbbtL	0.96	2.1	20	5844	46½	45⅞	45⅞	-½
17¼	12¾	AbitibiPr	0.40	2.9	7	148	14	13⅞	13⅞	
20¼	13½	ABM Ind	0.35	2.0	17	74	17⅜	16⅞	17¼	+⅛
18⅝	13⅞	Acptnceln			35	65	17½	17¼	17¼	
50⅜	37¼	ACE Ltd	0.56	1.2	11	511	46⅞	46¼	46¼	-⅜
10⅛	9⅛	ACM Gvt In	0.90	9.0	6	780	10	9⅞	10	+⅛
7⅞	6⅝	ACM GvOpp	0.57	8.1		85	7	7	7	
7¼	6	ACM Gvt Sp	0.66	10.0		66	6⅝	6⅝	6⅝	
9⅛	8¼	ACM Gvt Se	0.90	10.0		1394	9	8¾	9	+⅛
9⅞	8⅝	ACM Man	0.90	9.5		331	u9⅝	9½	9½	-⅛
13⅞	6⅛	Acme Elect	0.32	4.6	116	273	7⅛	6⅞	7	
17½	13⅞	Acme Mills			0	170	15	14¾	14¾	-⅜
33¼	27¼	Acordia x	0.72	2.4	18	7	30⅝	30⅝	30⅝	
21⅜	12	Acuson			69	3689	14	13¼	13⅞	
19½	17⅞	Adams Exp x	0.48	2.5	0	131	19⅛	19	19⅛	
21¾	10¼	AdvMic			7	2546	12½	12⅛	12⅛	-¼
11⅛	8½	Advest Grp	0.16	1.6	7	27	10	10	10	+⅛
26⅛	9⅛	Advo Inc	0.10	1.0	493	95	9⅞	9⅝	9⅞	-⅛
51⅞	41⅛	Aegon	1.46	2.8	15	43	u51⅞	51⅜	51⅜	+⅛
6¼	3½	Aerflx			3	438	5½	5⅛	5⅛	-⅛
69½	57⅞	Aetna	0.80	1.2	7	2476	67⅞	66⅞	66⅞	-¼
36½	28¼	Afiac x	0.40	1.2	14	1601	34⅞	34½	34⅝	-¼
21⅛	17⅛	AGL Res x	1.06	5.1	17	365	21	20½	20⅝	-¼
28	21¼	Ahmanson	0.88	3.5	7	2521	25¼	25⅛	25⅛	-¼
60⅞	50⅜	AirPrC	1.10	2.0	14	1029	55⅜	54⅞	54⅞	-¾
28⅜	20¼	Airborne Frt x	0.30	1.3	15	547	23⅜	23¼	23¼	-⅛
23⅝	15½	Airgas Inc			36	1303	22⅞	22⅜	22⅞	+½
16⅞	14⅝	Airlease	1.80	12.3	9	198	14⅞	d14⅝	14⅝	-⅛
33⅝	25	AirTch			81	13646	28⅞	28	28½	+½

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4 pm close August 28

NYSE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg Prev. Close
Continued from previous page										
32⅜	22¼	SchwMaud	0.80	1.9	14	148	31½	31⅜	31⅜	
20⅞	12	SciAtl	0.06	0.4	173	924	14	13¾	13⅞	
21	17	Scotsman	0.10	0.5	11	72	u21	20⅞	21	+¼
47½	35⅛	Scripps x	0.52	1.1	26	831	45½	44⅞	45½	+⅞
18⅛	13¼	ScuddrNAsF	0.02	0.1		25	13⅝	13½	13⅝	
13¼	11	ScuddrNEuF	0.16	1.2		377	u13¼	13⅛	13⅛	
20½	16	SeaCnB	0.17	0.9	25	2	18¾	18¾	18¾	+⅛
18	15	SeaC1.4625	1.46	9.6		37	15⅜	15¼	15⅜	-⅛
67¾	36⅛	S'gate			24	10507	51⅛	50	50⅝	-½
38⅛	30⅞	Seagrm	0.60	1.8	23	3145	33¾	33¼	33⅝	+¼
26	17⅛	Seagull En	1.20	6.8	11	10894	17¾	17½	17¾	+¼
39	26	Sealed Air	0.64	1.7	26	730	38⅞	38	38⅝	+½
53⅞	38¼	SearsR x	0.92	2.0	16	11185	45¾	45⅛	45⅜	-½
22⅞	19¼	SecCapSBI	1.24	6.0	19	514	20⅞	20¼	20¼	-⅛
13	11⅞	Seligm Sel x	0.84	6.8		73	12½	12¼	12⅜	
23¾	13⅝	Sensormat	0.22	1.2	14	2657	18⅞	18¼	18½	-⅜
44⅛	29½	SequaA	0.60	1.4	51	6	44	43⅞	44	-⅛
50¼	39	SequaB	0.50	1.0	58	12	u50¼	49¾	50¼	
60¼	36⅞	SvceCp	0.41	0.7	29	2653	58⅞	57⅝	58½	+⅞
23⅝	19½	SvMstr	0.68	2.9	15	283	u23⅝	23½	23½	
6¼	4½	ServMerch			10	1713	4¾	4⅝	4¾	+⅛
48¼	28½	SGSThm			8	939	39¾	38⅞	39¼	+1
15⅝	10⅝	Shaw Ind	0.30	2.0	38	1086	15⅛	14⅞	14⅞	-⅛
13½	10⅛	Shelby Wll	0.32	2.4	15	194	13⅜	13¼	13⅜	+⅜
89⅞	78⅝	ShellTr	3.35	3.7	18	989	89¾	89⅛	89⅛	
47⅛	39	SherW x	0.70	1.6	18	730	45	44¾	44⅞	-⅛
13⅝	7⅞	Shoneys			10	560	9⅜	9¼	9⅜	
35½	18¾	Showboat	0.10	0.5	47	1183	20⅞	20	20¼	+⅛
26	22¾	Sierra Pac	1.16	4.6	12	986	u26	25¾	25⅞	+⅛
8	3½	SignalApp			0	5	3⅞	3⅞	3⅞	+⅛

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg Prev. Close
47⅞	39¾	Xtra Corp	0.72	1.7	16	10	43⅝	43½	43⅝	+¼
25¼	20⅞	Yankee Egy	1.30	5.8	11	18	22⅝	22⅞	22⅜	-⅛
53¾	43⅞	York Int	0.36	0.8	21	4186	45¾	44⅝	45¾	+1
3⅞	3	Zapata	0.14	3.7	10	305	3¾	3⅝	3¾	+⅛
25⅝	5⅞	ZenithE			10	4110	15¼	14⅝	14½	-⅜
28⅞	21⅛	Zenith Nat	1.00	3.7	36	44	27	26¾	27	-⅛
7⅛	6½	Zenix Inc	0.72	10.3		16	7	7	7	+⅛
22⅞	15⅛	Zero	0.12	0.6	17	6	20½	20⅜	20½	
23¼	18½	Zurn Ind	0.40	1.9	16	135	20⅞	20¾	20⅞	+⅛
11⅜	10½	Zweig Fund	1.06	9.9		259	11	10⅞	10⅞	
9	8¼	Zweig Tot	0.84	9.9		186	8⅝	8½	8½	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vis-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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AMEX PRICES

4 pm close August 28

NASDAQ NATIONAL MARKET

4 pm close August 28

FINANCIAL TIMES Thursday August 29 1996

AMERICA

IBM upgrade spices dull equity scenario

Wall Street

US shares were flat in extremely quiet trading at midsession in the last week before the Labor Day holiday which traditionally marks an end to the summer holiday season, *writes Lisa Bransten in New York.*

At 1 pm volume on the NYSE was just 178m shares. The Dow Jones Industrial Average was 1.48 stronger at 5,712.75, while the Standard & Poor's 500 was off 1.08 at 665.32. The American Stock Exchange composite rose 0.76 at 562.81.

Technology shares were mostly stronger with the Nasdaq composite rising 5.50 at 1,141.72 and the Pacific Stock Exchange composite adding 0.5 per cent.

IBM was among the strongest performers in the technology sector, adding $3⅜ at $115¼, after Salomon Brothers raised its rating to "strong buy" from "buy" citing stronger business fundamentals.

Philip Morris fell $⅛ to $91⅝, after an earlier $1 rise as the company raised its quarterly dividend by 20 per cent to $1.20 as expected. They fell back later after Dayton Hudson said that it planned to stop selling cigarettes in its Target stores.

H & R Block fell $1⅞ at $26¼ after announcing that it would put off completing the spin-off of CompuServe, the online service company. Block sold 20 per cent of CompuServe to the public in April and shareholders were to vote on whether to complete the separation at the annual meeting next month. CompuServe rose $1⅛ at $13⅞.

Canada

Toronto picked up at midsession, having overcome early weakness as the market consolidated some of the nearly 300 point advance seen since the start of the month. The TSE-300 composite index was 11.29 higher by noon at 5,185.17 in hefty volume of 40.5m shares.

ATS Automation Tooling Systems jumped C$2.10 to C$40 as the stock became a TSE-300 constituent.

Noranda rose 50 cents to C$28.80 after the Australian company, Comalco, said that it might acquire up to 50 per cent of Noranda's Alumysa aluminium project.

Latin America

MEXICO CITY struck an intra-day record high of 3,454.31 before some profit taking was encountered. By 1pm the IPC index was up 4.81 at 3,438.56.

SAO PAULO rose during the morning on strength in Telebras, the telecoms group, on reports that the company was going to lift subscription rates. The Bovespa index was up 1,003 or 1.6 per cent at 62,264 by midday. Telebras preferred stock was up R$1.50 at R$76.

CARACAS built on Tuesday's record close with the IBC index up 37.77 at 4,750.53 by early afternoon.

EUROPE

Carmakers shine on Frankfurt stage

Carmakers took centre stage in FRANKFURT, forecasts that Daimler would show a strong recovery today coinciding with good news from Volkswagen as it unveiled its new Passat model.

The duo rose by DM1.05 to DM81.26, and by DM8.20 to DM549.10, while the Dax index fell 6.95 to an Ibis-indicated 2,556.64. They also kept turnover at a respectable level, accounting for DM1.9bn between them within a German stock market total up from DM6.3bn to DM6.9bn.

Daimler and VW, with Fiat of Italy, emerged particularly strongly from a report on new products in the industry by Mr John Lawson of Salomon Brothers this month, which looked for market share and margin momentum. The report suggested that VW was on a protracted market share climb: and while Daimler's share price discounted two years of profit recovery, Salomon was looking for a "very considerable growth" in the Mercedes-Benz share of the passenger car market.

Financials dominated the loss-leaders, with Bayern hypo down 66 pfg at DM41.70, and Dresdner 62 pfg lower at DM40.40. Mr Stuart Graham at HSBC James Capel put it down to profit-taking. The German banking sector, he noted, had had a happy July on a 36 per cent gain in first half earnings, a bond market rally and a bout of merger speculation.

ZURICH was depressed by more disappointing half year results although losses were limited by another forceful performance from Swiss Re, following its acquisition of M & G Re. The SMI index fell 29.8 to 3,692.6 as firmer US bonds helped to alleviate the effect of a weak dollar.

Pharmaceuticals were under pressure: the Novartis partners, Ciba and Sandoz, followed the trend established by Roche on Tuesday by reporting disappointing half year figures and fell SFr18 to SFr1,537 and SFr1,439 respectively.

One analyst said, however, that the results were unlikely to have a long term impact on the share price and that investors were more focused on the outlook for Novartis in 1997 and 1998 when the synergies and cost savings of the combined group would emerge.

Roche certificates fell another SFr130 to SFr9,400, put under further pressure by a downgrade from Morgan Stanley.

Another of the day's half year reporters, Alusuisse, fell SFr10 to SFr940 as its first half profits rise failed to match expectations.

Against the trend, Swiss Re picked up another SFr15 to SFr1,315 on expectations that this week's purchase would prompt upgrades of analysts' estimates which would, in turn, support a further rise in the share price.

AMSTERDAM was satisfied with itself although much of the session's activity appeared to have come from domestic retail investors. The AEX index rose 2.97 to 563.38.

Hagemeyer advanced Fl3.30 to Fl130.80 ahead of today's release of first half results. Analysts were forecasting the trading group to report a rise in net profits per share, at the interim stage, of between 16 to 21 per cent.

Stork, the industrial systems and services company, dipped 90 cents to Fl 52 as its interims came in at the lower end of expectations. BolsWessanen was another loser, off 90 cents at Fl 27.50 on a similar theme.

But Nutricia added another Fl 4.90 to Fl 226.60, mainly on retail interest, in continued reaction to last Friday's interim results and full year forecasts. Some brokers were now forecasting a year end level for the shares of around Fl 250.

PARIS remained under pressure as the franc continued to weaken and the possibility of strike action this autumn began to grow. The CAC-40 index eased 15.09 to 2,002.90.

Corporate news was thin on the ground with a number of stocks continuing to react to stories which had developed earlier in the week. Scor, for instance, continued to rise, up FFr6 or 3 per cent to FFr208 on speculation that it could become a takeover target, possibly for a US group, should there be a shake-up in the reinsurance sector following the Swiss Re news.

MADRID featured Goldman Sachs and HSBC James Capel buy recommendations for Ence and Acerinox. The paper and pulp group rose Pta85 or 4.6 per cent to Pta1,915, and the stainless steels producer by Pta450 or 3.3 per cent to Pta14,190 as the general index closed 0.67 higher at 358.48.

TEL AVIV was set alight by Africa Israel Investments which went limit up again, 10 per cent higher for the second day running at Shk469,477 on rumours that the entrepreneurs, Mr Motti Zisser and Mr Eitan Wertheimer, were buying shares in the company in a tactical manoeuvre. The Mishtanim index leapt 4.77, or 2.7 per cent to 179.75, in turnover up Shk30m at Shk87m.

Written and edited by William Cochrane, Michael Morgan and John Pitt

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Aug 28 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1660.72	1660.56	1660.75	1660.61	1660.40	1660.81	1660.05	1660.30
FT-SE Eurotrack 200	1731.21	1730.54	1732.51	1732.18	1731.38	1731.22	1732.47	1732.81

	Aug 27	Aug 23	Aug 22	Aug 21	Aug 20
FT-SE Eurotrack 100	1657.29	1668.71	1663.11	1653.98	1659.23
FT-SE Eurotrack 200	1726.62	1734.96	1729.83	1718.40	1723.76

Base value 1000 (26/10/90). High/day: 100 - 1661.72; 200 - 1735.10 Low/day: 100 - 1659.39 200 - 1730.11. † Partial.

Robust industrials take S Africa forward

Johannesburg was carried higher by a robust performance among industrials in further positive response to comments on the outlook for the economy by the reserve bank governor, Mr Chris Stals on Tuesday.

The overall index rose 63.6 to 6,679.7 and industrials rose 38.4 to 7,837.9. Golds, just 1.2 higher at 1,786.9, were in the doldrums in response to a bullion price that proved unable to hold above $389 an ounce.

Anglo American jumped R8.25 cents or 3.2 per cent to R268 as investors awaited a statement, after the market closed, that confirmed an agreement for the National Empowerment Consortium to buy part of Anglo's 48 per cent stake in Johnnies Industrial.

Analysts noted that the deal represented by far the largest black empowerment venture to date. Johnnies gave up R2.25 to R56.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: August 23rd 1996	% Change over week	% Change on Dec '95	Local currency terms: August 23rd 1996	% Change over week	% Change on Dec '95
Latin America	(249)	527.96	+0.5	+5.8			
Argentina	(31)	765.86	-4.9	-4.4	469,256.57	-4.9	-4.5
Brazil	(68)	362.02	-2.3	+18.6	1,374.81	-2.1	+23.8
Chile	(43)	713.39	-0.2	-4.7	1,173.95	-0.4	-3.8
Colombia	(15)	600.92	+1.8	+0.5	1,102.31	+0.9	+5.0
Mexico	(96)	558.94	+0.1	+23.3	1,802.49	+0.1	+19.7
Peru	(21)	218.60	-0.2	+10.8	329.70	-0.1	+18.7
Venezuela	(5)	510.80	+3.4	+52.8	5,576.29	+3.5	+113.6
Asia	(632)	251.23	+1.2	+8.2			
China	(24)	61.69	+2.2	+14.0	64.69	+2.2	+13.8
South Korea	(145)	97.61	-4.8	-22.5	104.99	-5.1	-18.2
Philippines	(35)	314.73	+3.3	+21.3	398.36	+3.4	+21.1
Taiwan, China	(83)	141.47	-1.0	+25.5	148.00	-1.0	+28.4
India	(76)	90.17	+0.8	+12.2	114.01	+0.8	+13.6
Indonesia	(44)	110.17	+3.1	+0.4	140.30	+3.1	+3.0
Malaysia	(123)	315.73	+1.6	+16.4	290.61	+1.6	+14.4
Pakistan	(25)	238.54	-0.0	-1.7	385.91	-0.0	+2.4
Sri Lanka	(5)	92.57	-2.1	-11.1	112.61	-2.2	-6.8
Thailand	(72)	306.81	+2.8	-18.4	308.33	+2.9	-18.0
Euro/Mid East	(238)	133.58	+2.0	-5.7			
Czech Rep	(5)	74.20	+1.6	+23.6	65.17	+0.3	+22.5
Greece	(47)	257.55	+6.2	+6.6	413.90	+5.8	+6.9
Hungary	(8)	174.21	+3.2	+77.0	317.10	+3.2	+98.0
Jordan	(8)	169.15	-0.2	-8.4	252.73	-0.2	-8.3
Poland	(22)	741.92	+9.2	+74.0	1,260.04	+9.1	+93.3
Portugal	(26)	133.96	+1.1	+15.7	140.37	+0.7	+18.1
South Africa	(63)	212.28	+1.2	-17.7	199.01	+0.9	+2.5
Turkey	(54)	134.27	+1.9	+28.5	5,464.38	+2.5	+82.8
Zimbabwe	(5)	384.51	+4.3	+40.0	571.79	+5.5	+51.6
Composite	(1119)	291.82	+0.5	+6.8			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991 (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latin America has been enjoying a renaissance over the last few months with Mexico, Brazil and Venezuela all showing significant dollar gains among the IFC's constituent countries, *writes John Pitt.* According to Foreign & Colonial, the UK-based fund managers, on a year to date basis Latin America has outperformed Asia by more than 11 per cent.

"This rather large gap runs against the popular wisdom that the superior growth rates of many of the south-east Asian economies necessarily produce superior stock market performance," says F & C.

Mexico, in particular, has been showing economic resilience, with recent second quarter GDP data providing evidence that the economy is recovering faster than had been expected. The numbers revealed that growth had been in the order of 7.2 per cent, year on year, against analysts' expectations of 5 per cent.

● Goldman Sachs is optimistic about the prospects for emerging markets throughout the rest of the year. Mr Steve Einhorn, a Goldman analyst, forecasts that Asia and Latin America should deliver total returns of between 20 to 25 per cent over the next 12 months, compared with an expected US equity market return of between 10 to 12 per cent.

Among the reason given for this performance is an expectation that corporate profits in Asia should advance by some 18 per cent in 1997, after a 15 per cent rise during 1996. In Latin America, Mr Einhorn expects a 15 per cent increase in company profits, against a 25 per cent rise in 1996. This compares with forecast US corporate growth of 10 per cent both this year and next.

ASIA PACIFIC

Nikkei in third straight loss on tankan

Tokyo

Worsening business confidence was revealed by the Bank of Japan's quarterly survey and the Nikkei average fell for the third consecutive day, *writes Emiko Terazono in Tokyo.*

The 225 index declined 200.46 to 20,709.81 after moving between 20,660.77 and 21,039.79. The Topix index of all first section stocks lost 11.00 to 1,572.12 and the Nikkei 300 fell 1.86 to 292.63. Volume totalled 268m shares against 202m. Declines led advances by 794 to 234 with 166 unchanged.

In London, the ISE/Nikkei 50 index rose 17.30 to 1417.

The weaker-than-expected headline figures for the *tankan* – the central bank's quarterly survey of business confidence – confirmed that monetary policy would not be tightened and initially spurred buying. The diffusion index for leading manufacturers which indicates sentiment fell to a minus 7 from minus 3 in the May survey, its first fall in a year.

However, concern over a weak recovery later set in, prompting profit taking and index-linked selling. Traders said most investors would remain cautious until the release of interim earnings reports by leading corporations in the autumn.

High-technology stocks lost ground. NEC fell Y10 to Y1,180, Hitachi Y8 to Y992 and Matsushita Electric Industrial Y10 to Y1,890.

East Japan Railways retreated Y3,000 to Y516,000 following the auction results for West Japan Railways which will be floated partially in October. The weighted average of the bids accepted for JR West shares was Y357,376, making the stock more attractive than JR East in valuation terms, said traders.

Brokers fell on fears that the recent decline in Tokyo stock exchange volume would hurt earnings. Daiwa Securities fell Y20 to Y1,260 and Nomura Securities declined Y30 to Y1,920.

Speculative favourites were actively traded with TYK, the most active issue of the day, falling Y30 to Y1,520.

In Osaka, the OSE average fell 133.64 to 21,760.87 in volume of 46.6m shares.

Roundup

SYDNEY took heart from the Japanese *tankan* and the Dow. The All Ordinaries index rose 21.9 to 2,264.2 in turnover of A$554m.

In golds, Lihir rose 15 cents to A$2.53 on news that its Papua New Guinea mine would come on stream earlier than expected. News Corp put on 20 cents at A$6.83 on a combination of ADR strength, and bargain hunting after sharp, post-results selling last week.

WELLINGTON saw heavy buying of the market leader, Telecom, 14 cents up at a new NZ$7.00 peak, as the NZSE 40 capital index closed 21.43 higher at 2,240.49. Turnover was NZ$66.1m.

BANGKOK bet that key indicators, due today, would show an improving economy. The SET index ended 11.25 higher at 1,105.84 in turnover of Bt3.2bn.

HONG KONG erased early losses and the Hang Seng index finished 40.66 higher at 11,379.49 in turnover of HK$3.7bn. Citic Pacific rose 20 cents to HK$34.60 after it reported a sharp increase in profit attributable to shareholders.

Poor earnings continued to plague H-shares. Hwa Kay Thai Holdings fell 22 cents to an all-time low of 54 cents on plans for a rights issue and sharply lower earnings.

SINGAPORE was led lower by falls in Cerebos and Fraser & Neave which pushed the Straits Times Industrials index down 11.57 to 2,159.88.

Sembawang picked up 30 cents to S$6.75 amid rumours that it planned a takeover bid for Jurong Shipyard. Jurong rose 40 cents to S$8.45. Ana Hotels, another rumoured target, rose 46 cents to S$3.46.

KUALA LUMPUR continued to focus on small-capitalisation, speculative issues, boosting the second board index by 4.63 to a third consecutive closing high of 541.75, while the composite index eased 1.12 to 1,111.33.

SEOUL's composite index hit a 34 month low, as worries of an economic slowdown and stock oversupply deterred investors. The composite index was off 8.40 at 753.35 as investors took a dim view of plans by Hyundai Electronics to go public in November.

SHENZHEN's hard currency B index fell 2.59 or 2.9 per cent to 87.80 as the mood was dampened by poor interim results.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY AUGUST 27 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY AUGUST 26 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (78)	203.52	-1.5	193.96	138.62	156.35	171.94	-1.1	4.40	206.65	198.76	140.59	158.82	173.80	212.18	179.77	181.91
Austria (24)	181.13	0.7	172.62	123.37	139.15	139.07	0.6	2.02	179.85	171.36	122.43	138.30	138.22	195.04	168.11	181.30
Belgium (27)	217.86	-0.4	207.62	148.39	167.37	163.58	-0.3	4.07	218.69	208.25	148.76	168.07	164.15	218.69	187.17	187.85
Brazil (28)	175.02	1.4	166.79	119.21	134.46	327.15	1.5	1.95	172.54	164.30	117.38	132.60	322.41	189.70	123.97	152.50
Canada (118)	164.01	0.0	156.30	111.71	126.00	162.40	-0.2	2.21	163.96	156.13	111.55	126.01	162.75	165.12	134.14	148.31
Denmark (30)	320.14	0.2	305.09	218.05	245.94	248.58	0.2	1.85	319.41	304.16	217.31	245.48	248.05	320.14	276.99	282.85
Finland (23)	211.52	0.2	201.58	144.07	162.50	198.91	0.1	2.51	211.08	201.02	143.62	162.24	198.61	276.11	171.73	255.88
France (94)	192.15	-0.2	183.12	130.87	147.61	152.38	-0.1	3.18	192.58	183.39	131.02	148.01	152.56	198.39	167.70	178.69
Germany (58)	177.23	0.3	168.90	120.71	136.15	136.15	0.2	1.80	176.74	168.30	120.24	135.83	135.83	177.23	155.66	157.52
Hong Kong (59)	435.24	-0.6	414.78	296.44	334.37	432.07	-0.6	3.41	437.79	416.89	297.85	336.46	434.81	451.19	354.06	354.06
Indonesia (27)	191.88	-0.3	182.87	130.69	147.41	275.63	-0.4	1.72	192.51	183.32	130.97	147.96	276.65	-	-	-
Ireland (16)	287.80	0.4	274.28	196.02	221.10	250.56	0.4	3.48	286.75	273.06	195.09	220.38	249.66	290.82	236.42	240.71
Italy (58)	76.95	0.7	73.33	52.41	59.11	86.90	0.8	2.48	76.44	72.79	52.00	58.74	86.24	84.53	67.22	79.01
Japan (481)	147.64	-0.1	140.70	100.55	113.42	100.55	0.0	0.78	147.80	140.74	100.55	113.59	100.65	164.66	137.76	147.25
Malaysia (107)	553.10	-0.3	527.11	376.72	424.91	531.12	-0.3	1.70	554.93	528.43	377.54	426.49	532.70	585.09	425.77	323.93
Mexico (19)	1315.94	1.8	1254.09	896.29	1010.95	10816.31	2.1	1.23	1291.59	1229.93	878.72	992.65	10594.69	1325.65	791.99	1129.96
Netherland (19)	301.50	0.3	287.33	205.35	231.63	228.06	0.4	3.24	300.87	286.31	204.56	231.08	227.22	304.24	248.70	248.78
New Zealand (15)	85.66	-0.3	81.64	58.35	65.81	65.66	-0.1	4.19	85.95	81.84	58.47	66.05	65.71	86.09	75.94	78.56
Norway (35)	248.85	-0.4	237.16	169.49	191.18	216.67	-0.2	2.09	249.89	237.96	170.01	192.05	217.10	256.94	222.24	227.97
Philippines (22)	206.36	-0.3	196.06	140.55	158.53	269.39	-0.3	0.61	207.01	197.13	140.84	159.10	270.24	-	-	-
Singapore (44)	400.68	0.3	381.85	272.90	307.82	259.98	0.3	1.47	399.46	380.39	271.77	307.01	259.26	465.21	360.49	385.61
South Africa (44)	331.08	1.5	315.52	225.50	254.35	327.26	1.3	2.30	326.30	310.72	222.00	250.78	323.11	437.76	314.20	349.44
Spain (37)	179.39	0.8	170.96	122.18	137.81	169.78	0.8	3.44	177.97	169.48	121.08	136.78	168.43	183.65	145.16	153.29
Sweden (48)	364.34	0.8	347.22	248.15	279.90	355.87	1.0	2.40	361.42	344.17	245.89	277.77	352.27	364.34	281.96	295.35
Switzerland (37)	254.34	0.1	242.39	173.23	195.39	168.21	0.2	1.58	254.05	241.93	172.84	195.25	167.81	254.34	195.92	195.92
Thailand (45)	144.42	0.1	137.63	98.36	110.95	141.67	0.1	2.38	144.24	137.35	98.13	110.85	141.56	193.95	138.75	186.64
United Kingdom (200)	245.97	-0.1	234.41	167.53	188.96	234.41	-0.1	4.07	246.35	234.59	167.60	189.33	234.59	246.35	216.58	220.47
USA (625)	271.54	0.4	258.78	184.94	208.60	271.54	0.4	2.17	270.49	257.58	184.03	207.88	270.49	276.47	226.19	226.65
Americas (790)	248.43	0.4	236.75	169.20	190.85	208.88	0.4	2.16	247.46	235.64	168.35	190.18	208.08	252.43	209.51	209.87
Europe (706)	216.60	0.1	206.42	147.53	166.40	185.87	0.1	3.07	216.42	206.09	147.24	166.33	185.59	216.60	189.62	190.91
Nordic (136)	314.88	0.5	300.08	214.46	241.90	268.82	0.7	2.29	313.30	298.34	213.15	240.78	267.08	314.88	261.13	273.74
Pacific Basin (879)	161.35	-0.2	153.77	109.90	123.96	112.22	-0.1	1.24	161.71	153.99	110.02	124.28	112.35	177.01	146.86	157.41
Euro-Pacific (1584)	184.24	-0.1	175.58	125.49	141.54	140.02	0.0	2.13	184.38	175.56	125.44	141.70	139.99	190.57	166.51	171.27
North America (743)	264.97	0.4	252.52	180.47	203.56	264.30	0.4	2.17	264.00	251.40	179.61	202.89	263.36	269.52	223.24	223.67
Europe Ex. UK (506)	195.76	0.2	186.56	133.33	150.39	158.31	0.3	2.51	195.34	186.01	132.90	150.13	157.87	195.76	169.65	170.89
Pacific Ex. Japan (397)	286.38	-0.7	272.92	195.05	220.01	247.21	-0.5	3.07	288.28	274.52	196.13	221.56	248.54	295.66	243.59	254.67
World Ex. US (1793)	185.54	0.0	176.82	126.37	142.54	144.67	0.1	2.13	185.57	176.71	126.25	142.62	144.59	191.56	167.36	172.50
World Ex. UK (2218)	208.92	0.2	199.10	142.29	160.50	175.94	0.2	1.95	208.53	198.58	141.87	160.27	175.54	213.05	185.61	186.62
World Ex. Japan (1937)	247.16	0.2	235.54	168.34	189.87	232.62	0.2	2.53	246.80	234.83	167.77	189.52	232.04	247.56	213.12	213.57
The World Index (2418)	212.12	0.1	202.16	144.48	162.96	181.15	0.2	2.15	211.80	201.69	144.10	162.78	180.79	214.95	188.71	189.58

CONSTITUENT CHANGES WITH EFFECT 28/8/96: Deletion. Ecco (France). Name change: Ade (Bearer) to Adecco (Bearer) (Switzerland). Latest prices were unavailable for this edition.

Convention on track for final acts

By Jurek Martin in Chicago and Patti Waldmeir on the 21st Century Express

The Democratic party convention moved yesterday to its final acts, the nomination last night of President Bill Clinton and Vice President Al Gore as its national ticket and the president's acceptance speech tonight.

It did so on an upbeat note. Tuesday night's session had seen two of the party's greatest liberals, the Rev Jesse Jackson and former governor Mario Cuomo of New York, declare it was far more important to re-elect the president than disagree with him over welfare reform.

The convention then gave an ecstatic welcome to Mrs Hillary Rodham Clinton, the First Lady whom Republicans constantly criticise. Her measured speech, as important a public performance as any she has given since the TV interview that helped rescue her husband's floundering campaign early in 1992, stressed the importance of the right public and private sector initiatives to protect the interests of children.

There was also fragmentary evidence that Mr Clinton was widening his lead in the opinion polls over Mr Bob Dole, the Republican candidate. An ABC "tracking" survey put him 15 points ahead, though another still had the gap in single digits.

But polls taken during conventions are notoriously volatile, as was shown by Mr Dole's sudden but apparently short-lived rise while the Republican convention was taking place in San Diego two weeks ago. An accurate assessment of the margin between the two may not be clear until next week.

Mr Clinton was due to arrive in Chicago last night from his four-day train trip on the 21st Century Express through the Midwest in time for the traditional roll call of the states and for Mr Gore's main speech of the week.

Yesterday the president's newsmaking announcement concerned the environment, specifically a new $2bn toxic waste clean-up programme. On Monday he had addressed crime and on Tuesday unveiled another $2bn programme to combat illiteracy.

There were also unconfirmed reports that Mr Clinton was contemplating annexing another article of the Republican creed, lower capital gains taxes, though with the modification that the principal beneficiaries should be small businesses.

Mr Gore, the early favourite to be Democratic presidential candidate in the year 2000, has been in ebullient form all week. He can be expected in his speech to reinforce the president's message that the Democratic administration has a proven and innovative policy record that makes it better equipped to deal with future problems than the "extremist" and risky tax-cutting alternatives offered by the Republicans.

Clinton on whistle-stop tour to future

By Patti Waldmeir

President Bill Clinton is addicted to crowds.

Throughout the unpretentious heartland of America, President Clinton has touched the fingertips of his people, and visibly drawn strength from them. After a four-day journey through the Midwest he will speak to the Democratic convention in Chicago tonight high on the best tonic known to politicians: a dose of mass adulation.

With the boyish enthusiasm which has become his political signature, the president bounds down from his campaign train to press every bit of flesh he can reach.

Mr Clinton has stood on the back platform of President Harry Truman's 1948 campaign train and beamed at the people of the rejuvenated Rustbelt, passing through Ohio towns where even the smokestacks have names.

"Hello! How ya doing out there? Thank you VERY much!" he exclaims, with a thrill in his voice which even the best performance artist would find hard to falsify. "I like your dog . . . I like your garden . . . What a nice family!" the president cries, his remarks broadcast by microphone to the curious at rail-side. The First Citizen's Arkansas drawl, broader than ever in this setting, makes him sound like a caricature of a Southerner in this land of the nasal twang.

The effect is engagingly natural – like the whole of the presidential performance. For this president has got spontaneity down to an art: he holds what are billed as – and what sound like – "conversations with the American people", leaning casually on the podium, chuckling gently at his own jokes, gesturing artlessly, if perfectly on cue.

As he greets invited guests on stage, each handshake is unique, and requires both hands: the right does the main business of shaking, while the left is used to intensify the intimacy. One of the rally props was Mr Clinton's 96-year-old former nanny, Ertha Clay, who said he was "a good baby". All the while, his grey-blue eyes hold the potential voter rapt with their muscular gaze.

The president has needed both hands, and huge reserves of energy, to satisfy all those who have strained forward to touch him. But many of the tens of thousands who have lined the railway sidings, or stood for long hot hours at rallies, came out of curiousity rather than political commitment. Many are at best reluctant Clinton voters. Some will not vote for him at all. But all have come to see their president, and he has used the advantage of incumbency brilliantly to advantage.

President Clinton speaks to the crowd alongside the 21st Century Express in Detroit Reuters

Mr Clinton has said his whistlestop odyssey on the 21st Century Express is "my idea of heaven", and his advisers would scarcely dissent from that judgment. The president likes the human contact; he keeps saying he undertook the journey "selfishly" because he wanted to "look into the faces and the eyes and the hearts of the people I've been working for for the past four years".

His advisers see the trip as a tactical coup: local media have given it saturation coverage in these Midwestern swing states which Mr Clinton must win to capture the election. Local television stations have provided live coverage of the presidential morning jog and by broadcasting live speeches punctuated by cheers, they have saved his campaign hundreds of thousands of dollars in advertising.

The needs of the media have even determined the route of this nostalgia journey to the future. Asked why the president had chosen to stop at Wyandotte, a metal-bashing suburb where there are many Republican voters, White House officials said the decision was made because media deadlines made the stop necessary.

The president wanted to dominate the daytime headlines before the evening session of the Chicago convention. So Wyandotte got its first presidential visit and the president got maximum publicity for his announcement of a literacy campaign for American schoolchildren.

His goal in Wyandotte, Michigan – as in Toledo, Ohio, early that morning and Royal Oak, Michigan, that evening – was to prove that government could make itself useful to ordinary Americans.

But one elderly lady in the Wyandotte crowd probably had the last word for many: "We don't believe all that," she said, as she left clasping the hand of a cranky five-year-old grandson. "We just come to take a look at him."

Seventy days will pass before Mr Clinton knows for sure whether the elderly ladies of Wyandotte, the car workers of Toledo or the engineers of Royal Oak liked what they saw.

Democrats master slick presentation

Jurek Martin on how style substitutes for substance

It has been said that Democrats, like blondes, have more fun, but their public disagreements generally compared unfavourably with the Republicans' smooth management of conventions.

There was evidence that this was changing in 1992, when the professionally produced Democrat convention in New York stood in sharp contrast to the divisive Republican mess in Houston. Half way through this week's gathering, it is now reasonable to conclude that the Democrats have become better at presentational style than the Republicans.

This time the Democrats have the advantage of performing on two stages – the convention itself and the midwestern train trip which brought President Bill Clinton to Chicago last night and which has, by all accounts, received saturation and favourable local media coverage in all the electorally important states through which he has passed.

But the events in the United Center, where Michael Jordan soars and swoops to the basket over 50 times a year for his championship Chicago Bulls, have been well enough managed not to take second place.

Nothing illustrated that better than Tuesday night's often electrifying session. It put on display three liberal Democratic icons – the Rev Jesse Jackson and former Governor Mario Cuomo of New York, the most passionate orators the party has produced in a generation, and Mrs Hillary Rodham Clinton, the president's wife, who, in the eyes of 4,000 delegates, can do no wrong.

Each commanded prime time TV attention, the first two by their rhetorical ruffles and flourishes and Hillary, the woman the country either loves or hates, by simply showing up.

The First Lady neither surprised nor disappointed. She is a controlled, articulate speaker and she stuck to her predictable message, mostly that there was no greater social evil than neglect of children. Although she referred frequently to the First Daughter, Chelsea, and cracked a couple of early jokes, her approach was somewhere between the professorial and the parental, didactic but with moments of warmth.

Unlike Mrs Liddy Dole in San Diego, she did not emotionally extol the merits of her husband as "a modest man". Instead she talked of him as "the president" or "Bill" and praised his policies and leadership as appropriate for the future. She thus came over as the loyal wife but without sacrificing the liberal social causes that his policies have not always completely reflected.

She was, naturally, received with rapture by the floor, but it was enthusiasm of a different nature from the greeting accorded the great liberal warhorses, Messrs Jackson and Cuomo.

Neither ducked the fact they disagreed deeply with the president's signing of the welfare reform bill last week. Mr Jackson dwelt on the "canyons of despair" that are America's welfare-dependent inner cities, while Mr Cuomo said that no bill, "whatever its political benefits", was worth putting children at risk.

But both said Mr Clinton could make a bad bill better if re-elected, as he is already promising to, and both endorsed him in terms that could make even a president accustomed to flattery blush.

To Mr Jackson, he was "an enlightened president" and "our first line of defence against the New Gingrich contract". That, Mr Cuomo said, was as critical as hewing to old liberal values, since "being faithful to principle means more than guarding the museums of past policy".

Both showed all their old rhetorical skills, none more than in knowing how to finish in rhythmic style. When Mr Cuomo reached his pounding crescendo, "four more years, what do you say?" the delegates leapt out of their seats, forgetting in their enthusiasm that that chant was first coined for the re-election of the infamous Richard M. Nixon.

As a show, it is all playing well enough not merely to the converted, looking forward to the first second-term Democratic president since Franklin Roosevelt 60 years ago, but even to the perennially and properly cynical media. At least none have packed up and gone home, as one famous anchorman did half way through San Diego, declaring, "There is no news here." There may not be much of it, but the presentational illusion can afford some compensation.

Gore has his sights fixed on campaign 2000

By Jurek Martin

Bill Clinton is not the only man running for president in Chicago this week. So is Al Gore, the only difference being that the current vice president has his eyes on the year 2000.

But he is not alone either. Almost as visible as the presidential ticket in public appearances and in working convention delegate rank and file is Congressman Richard Gephardt of Missouri, now the House minority leader and odds-on favourite to be its next Speaker if the Democrats regain control of the chamber in November.

Nor does the great guessing game, inevitable since this convention is without suspense, lack for other White House wannabes. Governor Evan Bayh of Indiana, Tuesday) night's keynote speaker, is only 40 and known to have his eyes on higher office beyond the Indiana Senate seat that is up in 1998.

Other better known names get tossed around. Messrs Bill Bradley and Sam Nunn, of New Jersey and Georgia respectively, may be leaving the Senate this year but, in their mid-50s, are too young to leave public life. Senators Chris Dodd of Connecticut, now joint party chairman, and Dianne Feinstein of California have expressed guarded interest, as have some who have run before, like the Rev Jesse Jackson and Senator Bob Kerrey of Nebraska.

History alone suggests Mr Gore, now 48 and ensconced the proverbial heartbeat away from the presidency, would be tough to move from the pole position.

Seven of the last 11 vice presidents have gone on to be nominated as either the Republican or Democratic presidential candidate and five have made it all the way, albeit, in the cases of Harry Truman, Lyndon Johnson and Gerald Ford, initially through the death or resignation of the president himself. No other political job has such a success rate.

Mr Gore is generally reckoned to have been a good vice president, both as the steady foil to Mr Clinton's intermittent flightiness and as a policy force in his own right.

Mr Clinton has ceded his number two substantial responsibility in areas ranging from downsizing government, through the environment and telecommunications, to foreign policy, with Mr Gore a genuine force behind the scenes on relations with Russia and over the Balkans.

The vice president is also an under-rated player of the media game, neatly turning a reputation for woodenness into an effective droll and deadpan style.

When the president was at an emotional low point following the Republican congressional landslide in 1994, it was Mr Gore who took regularly to the airwaves to fire the first volleys against the opposition's "extremism".

All this combines to give him a considerable edge over possible challengers four years hence. If Mr Gore, like Mr Clinton, is a product of the thoroughly modern and centrist Democratic Leadership Council, Mr Gephardt, now 55, is proud of his ties to the old Democratic left and would surely base any campaign on the restoration of lost values.

Thus, on behalf of the labour unions, he fought hard against Nafta and Gatt ratification and most recently voted against welfare reform. (Perhaps significantly, it is Mr Gore who has been promising recently that in a second Clinton term the administration would work to ameliorate some of the act's more radical components.)

Mr Gephardt ran for the nomination in 1988, as did Mr Gore, but decided not to compete four years later because he, like many other prominent Democrats, considered President George Bush unbeatable. Mr Clinton concluded otherwise and the rest is history, including the opportunities presented to the current vice president.

Chemical weapons claim is denied

The US Defence Department denied yesterday it had suppressed a 1991 classified report suggesting US troops had been exposed to Iraqi chemical weapons during the Gulf war, Reuter reports from Washington.

However, the department conceded that "the full relevance of the report... was not recognised at the time" and was not investigated until this year, providing indications that perhaps 150 soldiers had been exposed to chemical agents when they blew up the Kamisiyah ammunition dump in southern Iraq.

The document, based on a visit by United Nations inspectors to the Kamisiyah weapons complex in 1991, was not made available to the US engineer battalion involved, or to the public, while the Defence Department repeatedly suggested it had no evidence that large numbers of US troops might have been exposed to chemical arms.

But officials denied that many of the soldiers who destroyed the arms depot had since developed debilitating medical problems that the soldiers claim might be linked to exposure to chemical weapons.

Nearly 60,000 other veterans of the Gulf war have asked for special health screenings to determine whether they were suffering from ailments related to their service in the Gulf.

White House offers deal to tobacco industry

By Richard Tomkins in New York

The White House yesterday extended a peace offering to the US tobacco industry by offering to back down from its demand that cigarette makers should be regulated by the Food and Drug Administration.

The White House press secretary, Mr Mike McCurry, said President Bill Clinton would be willing to reach agreement on how to curb sales to under-age smokers without bringing the industry under the FDA's jurisdiction.

Last week, following Mr Clinton's announcement of tough new restrictions on cigarette advertising and sales, the industry vowed to take action in the courts to block FDA regulation.

Yesterday Mr McCurry indicated the White House would drop its demand for FDA regulation if the tobacco industry accepted new legislation enforcing the curbs. "If we could get this done without prolonged litigation, that would be preferable," Mr McCurry said.

The tobacco industry is determined to fight off the threat of FDA regulation because the FDA has the power to ban harmful products, theoretically enabling it to prohibit cigarette sales.

However, the president's offer appeared to divide the two biggest cigarette makers. Philip Morris said it was "encouraged" by the White House statement and would be "willing to find common ground on the issue" but RJR Nabisco indicated it would prefer to continue the battle in the courts.

Separately, Mr Richard Scruggs, a Mississippi anti-tobacco attorney, has this week floated a plan that would protect cigarette makers from lawsuits for 15 years in return for payments of $6bn to $10bn a year, part to be used to reimburse states for treating smoking-related diseases. But again the plan seems unlikely to succeed because the industry believes it will be better off in the courts.

Philip Morris raises dividend, Page 13

Boost for US lysine 'price-fixing' inquiry

By Laurie Morse in Chicago

The US Justice Department's investigation into alleged price-fixing by the international food company Archer Daniels Midland has been boosted by plea agreements with three of ADM's rivals in the $600m lysine market.

Three companies, two Japanese and one New Jersey-based South Korean subsidiary, and three of their executives have admitted they conspired to fix prices to eliminate competition and allocate sales in the market for lysine, an amino acid used as a feed additive to enhance growth in livestock.

In addition to paying fines, the companies and the individuals are co-operating with the Justice Department's investigation into alleged lysine price-fixing.

ADM was not named specifically in the government complaint released on Tuesday, though documents referred to an "unnamed co-conspirator". ADM did not return phone calls seeking comment on the lysine plea agreements.

"This is the Department's first action against international cartel activity in the food and feed additive industry. It sends a message to the entire world that collusive behaviour that harms US consumers will not be tolerated," said Mr Joel Klein, Acting assistant attorney-general in charge of the Department's Antitrust Division.

ADM, based in Decatur, Illinois, produces about 47 per cent of the world's lysine. Two years ago, an ADM executive, Mr Mark Whitacre, became an undercover agent for the FBI, making audio and video tapes of meetings with competitors and conversations between ADM executives.

The government's price-fixing case stalled when ADM accused Mr Whitacre of misappropriating millions of dollars, damaging his credibility. With the foreign companies and their employees now co-operating, federal officials will no longer have to rely on Mr Whitacre as their chief witness.

ADM has not been charged with wrongdoing but lawyers familiar with the case say at least two senior ADM executives expect to be subject to criminal indictments soon. They say Tuesday's plea agreements may prompt ADM to settle with the government before indictments are delivered. ADM and its rivals last month agreed to pay $45m to lysine customers to settle a civil antitrust suit.

The companies and individuals charged on Tuesday were: Ajinomoto of Japan and the former general manager of its feed additives business, Mr Kanji Mimoto; Kyowa Hakko Kogyo of Japan and the former general manager of its Agricultural Products Department, Mr Masaru Yamamoto; Sewon America, a subsidiary of Sewon of Korea, and its president, Mr Jhom Su Kim. Both Ajinomoto and Kyowa Hakko will pay $10m fines, and Mr Mimoto and Mr Kim will each pay $75,000 in fines. Sewon America will pay a fine determined by the court; Mr Yamamoto will pay a $50,000 fine.

Lloyd's plan wins 90% approval

By Ralph Atkins in London and Richard Waters in New York

The Lloyd's of London ruling council is expected today to declare unconditional the insurance market's £3.2bn settlement offer to its Names after acceptances had exceeded 90 per cent by yesterday's noon deadline.

However, lawyers for the US Names whose court action had in the past week thrown the recovery plan into doubt in the past week, vowed to continue their fight. Names are the individuals whose assets have traditionally supported Lloyd's.

Today's council follows a convincing win by Lloyd's in a US appeal court on Tuesday which overturned a ruling won by the rebel Names that had threatened to derail the plan. The council meeting is the first stage leading to formal confirmation that Lloyd's future is secure after losses of more than £8bn in recent years.

Later this week Lloyd's is expected to seek the go-ahead from the UK Department of Trade and Industry for Equitas, a giant reinsurance company which Lloyd's plans, to take responsibility for billions of pounds of mainly US asbestos and pollution liabilities. By noon yesterday, 30,918 Names out of 34,000 worldwide had accepted the recovery plan with a further 83 acceptances received by 4pm.

Among US resident Names, 66.7 per cent had accepted. Lloyd's council is expected to give Names an extra two weeks to accept the offer once it is declared unconditional.

Lloyd's has to settle legal action by Names seeking redress for the losses. It must also collect sufficient funds from Names to fund Equitas. This has made it impossible to set a precise number of acceptances required.

Lloyd's has been buoyed by a Federal appeals court ruling in Baltimore which overturned a ruling, issued in Richmond, Virginia the previous Friday, which for the first time put Lloyd's within the scope of US securities laws.

However, Mr Steve Clay, a lawyer at Kilpatrick & Cody in Atlanta, said the Names which brought the case would take further action by the end of this week – either taking the case to the Supreme Court, filing a new action or pursuing other routes. The Names would continue their action, even if Lloyd's declares its recovery scheme unconditional, Mr Clay said.

Lawyers braced for the end of profitable crisis

With the insurance market's recovery plan looking secure, legal fees are likely to dry up

With Lloyd's of London's £3.2bn ($4.96bn) recovery plan finally looking secure, City lawyers are bracing themselves for a jolt. The Lloyd's legal gravy train is about to hit the buffers.

The Lloyd's crisis has been good to the legal profession. Over the past four years more than 50 UK law firms have been knee deep in Lloyd's-related litigation, including the legal costs associated with the construction of Equitas – the run-off company that will reinsure Lloyd's syndicates' liabilities dating back to the 1950s – the Lloyd's crisis is estimated to have generated up to £140m in legal fees.

In the US, legal fees have run into millions of dollars and further litigation is in prospect with hardline US Names pledging to keep fighting for full compensation for their losses. Names are individuals whose assets have traditionally supported Lloyd's.

By far the bulk of the UK fees – £90m – has been generated by the litigation between Names' action groups and Lloyd's agents, and action groups and the Errors and Omissions underwriters, who provided insurance against damage awards to Lloyd's agencies. By August last year, 245 High Court writs had been issued by 27 action groups against 280 defending agencies, 50 of which were in liquidation. Since then 17 more action groups have issued writs.

According to Mr Michael Payton, senior partner of Clyde & Co, the City firm which co-ordinated the law firms running the E&O underwriters' defence, legal costs on the agents' and underwriters' side are estimated at between £30m and £40m.

"The action groups' legal costs are said to be higher still, partly because more law firms were involved in representing them. Lloyd's has agreed to reimburse them up to a maximum of £75m as part of the settlement offer, although it says some of that figure relates to the costs of setting up and running the action groups and not just to legal fees.

Militant Names in the UK are unlikely to give up the struggle completely though Mr Payton says the acceptance of the reconstruction and renewal plan will effectively end most actions.

"The polls show that only 4 to 5 per cent of Names will vote not to accept the settlement. Litigation is enormously expensive and if the cost was shared between 3,000 Names as in the Gooda Walker litigation [one of the first action groups to go to court] and 4 per cent don't accept, there is no way 120 names can afford to continue litigating. So on the practical side, the litigation withers and dies."

But he denies that the sudden loss of this source of income will leave City law firms in a hole. Clyde & Co derives 40 per cent of its turnover from insurance work but it is unlikely to be badly hit. "If you say our side earned £30m-£40m over four years, that's £10m a year divided by eight firms, and Clyde & Co's annual turnover is £50m – work it out for yourself. It's no big deal," Mr Payton says.

The firm which appears to have most to lose from the settlement is Freshfields, the firm which helped put it together. Freshfields – Lloyd's main legal adviser – has had more than 75 lawyers and as many as 20 partners working on the reconstruction proposals.

It advised Lloyd's on the introduction of limited liability capital in 1993; helped formulate and draft the reconstruction document; negotiated the £3.2bn settlement proposals; handled the litigation against Lloyd's itself, including the Clementson anti-trust litigation, which accused Lloyd's of anti-competitive agreements; and did the legal work on setting up Equitas.

Its reward for all this is estimated at somewhere between £30m and £40m. Lloyd's estimates the final costs of establishing Equitas at £110m, about 70 per cent of which is actuarial fees. Most of the remaining 30 per cent, £33m, is legal fees, the bulk of which will go to Freshfields. The litigation is thought to have cost the corporation more than £5m so far and other legal fees associated with the reconstruction are put at about £10m. Even though Mr Geoff Nicholas, the partner co-ordinating the Lloyd's work, says this is the biggest single job the firm has ever undertaken the resolution of the crisis will not leave it with a big gap to fill.

While £30m-£40m spread over three and a half years sounds a lot, it has to be compared with an annual turnover estimated at more than £140m. If there are firms which are going to take a big hit, it will be the smaller niche practices which have made a speciality out of representing Names, Mr Nicholas says.

Robert Rice

Brendan Corr

Michael Payton: believes most actions will come to an end

Online shopping hopes boosted

By Alan Cane

Uunet Pipex claimed yesterday that its new system for "secure shopping" on the Internet not only met widespread concerns about security on the Web but was safer than buying by phone or in a shop using a credit or debit card.

The company, the UK subsidiary of MFS, the US telecoms operator acquired earlier this week by WorldCom of the US, believes its system is ahead of US developments. National Westminster Bank, of the UK, will act as the clearing house for online debits and credit card transactions.

Uunet Pipex, one of the largest European Internet service providers, said the system, called The Bureau, will enable those trading on the Web to take advantage of an established payments mechanism without paying to build their own.

Internet traders using The Bureau will pay the company 5 per cent of the purchase value of each transaction. The system is activated when a customer presses a "buy" key and enters his or her credit card data. The information is stored securely by Uunet and NatWest is instructed to pay the retailer for the goods purchased. When the deal is complete, an electronic confirmation is generated for customer and retailer.

Mr Richard Nuttall, Uunet Pipex director of electronic commerce, said: "We have created a comparatively low cost system that is more secure than buying goods on an ordinary credit or debit card by phone or in a shop." Four traders have signed up but decline to be named.

Online electronic commerce is thought to be worth $300m annually, rising to $800m by 2000.

Mr Susan Sarkar of Ovum, the London technology consultancy, said: "The launch of The Bureau will ... remove anxieties for both merchants and consumers."

UK NEWS DIGEST

Exports halve non-EU gap

The strongest export growth since spring 1993 halved Britain's trade gap with countries outside the European Union last month, official figures showed yesterday. At the same time, better exports to Germany cut the UK's trade deficit with EU countries in June to its lowest level since November last year.

The encouraging picture of UK trade eased fears that robust domestic consumer spending growth forecast by the government this year might cause a sharp deterioration in the trade gap as imports are sucked in but exports falter. It suggested that UK companies are enjoying greater success in markets in other countries in spite of the patchy economic growth in European countries such as Germany.

The Office for National Statistics said the UK's overall trade gap with the rest of the world was a seasonally adjusted £1.1bn in June, unchanged from May's deficit.

The deficit with EU countries in June was £38m, the lowest since the small surplus recorded in November last year. The trade gap with countries outside the European Union shrank to £0.5bn in July from £1.1bn in June – the smallest deficit since May, 1995. *Graham Bowley*

■ OIL PRODUCTION

Norwegian company in £4m deal

A British pioneer in floating production facilities for the offshore oil industry is to become part of Aker, one of Norway's biggest companies.

Aker, an offshore engineering and construction company and a world leader in this field, has acquired 70 per cent of family-run McNulty Offshore Services, on Tyneside in north-east England, for £4m. Its acquisition strengthens Aker's prospects of winning orders from the UK, one of the world's largest markets for these production systems. *Chris Tighe*

■ PRISON SERVICE

Court to rule on sentencing law

The High Court is expected to rule today on whether the reinterpretation of sentencing law approved by the prison service last week is valid.

The court case is the result of a legal challenge by a prisoner against the decision by Mr Michael Howard, the home secretary, to halt the release of prisoners resulting from the new guidelines.

A total of 537 inmates were let out of prisons before Mr Howard stopped the release programme last Friday. Mr Richard Tilt, prison service director-general, has admitted the matter was "gravely mishandled" and accepted full responsibility. *Mark Suzman*

■ ROLLS-ROYCE

Union leaders in jobs talks

Union leaders from the Parsons steam turbine plant in Newcastle, north-east England, and the International Combustion boiler works in Derby, in the north of England, are to meet senior Rolls-Royce executives today about the company's attempts to sell the businesses, which might affect 2,500 jobs. The London meeting, which national officers of the Confederation of Shipbuilding and Engineering Unions will also attend, is on the same day that Rolls-Royce releases its interim results. *Chris Tighe*

Daewoo plans flexible contracts

By Robert Taylor, Employment Editor

Daewoo Cars, the South Korean company, plans to introduce so-called zero-hours contracts for its dealer network in the UK, under which staff would only be paid when needed to collect cars and deliver them to customers.

Its decision is controversial. The opposition Labour party dislikes zero-hours contracts and trade unions would like to see them outlawed by any future Labour government.

Burger King, the US food chain, aroused widespread criticism last year when it introduced zero-hours contracts for staff at some of its British outlets. A growing number of companies are using them in their employment strategies.

Mr Peter Ellis, Daewoo's human resources director, said in this week's issue of the magazine Personnel Today that Daewoo would hire older workers who had finished full-time employment and were flexible enough to accept such agreements. The staff would be contacted at home only when required.

"We do not want people simply standing around, so we are looking to employ mature people who are available for work but not necessarily anticipating it," he said. Mr Ellis added that under the new dealerships a third of the workforce would work full-time, with the rest part-time to cover peaks in demand. Daewoo expects to employ 2,000 staff in the dealer network.

The company has already introduced other forms of flexible employment, with part-time working at its showrooms in Crawley, Dundee and Edinburgh.

Blair hunts for ideas from US

The presidential race is sending Labour important signals

Few are watching the US presidential campaign as closely as Mr Tony Blair, leader of the UK opposition Labour party. Britain's general election will fall within six months at most of presidential polling day. And the choice the US electorate makes between Mr Bill Clinton and Mr Bob Dole matters.

At the Republican convention in San Diego two weeks ago, Mr John Major's Conservatives adopted a low profile. An unexpected victory for Mr Dole would provide an important psychological boost for Mr Major, but the UK prime minister has learned the lesson of 1992. The Conservatives' high-profile support then for Mr George Bush was neither forgotten not forgiven by the Clinton White House.

At the Democratic convention in Chicago this week, Mr Blair's party is showing no such reticence. Victory for Mr Clinton in November would signal that, even in the era of small government, parties of the political centre-left can hold on to, as well as win, power. It would reinforce still further Mr Blair's conviction that his party must follow the Democrats into the centre ground. For New Democrat substitute New Labour.

Mr John Prescott, Labour's deputy leader, Mr Gordon Brown, the party's finance spokesman, and Mr Chris Smith, its health spokesman, were among a strong Labour contingent at the convention. It is a partly question of picking up sophisticated American campaign techniques. But there are deeper parallels.

Mr Brown has long seen the New Democrats as a source of ideas for Labour's modernisation, while Mr Prescott's instincts lie with the liberal wing of Mr Clinton's party. But the British guests have not missed the fact that Democrats are resting their hopes of re-election on the most conservative electoral prospectus in the party's recent history. The themes are fiscal conservatism, family values and a tough approach to crime. Grand ambitions have been replaced by the politics of incrementalism.

The themes are fiscal conservatism, family and a tough approach to crime

Of course, the parallels can be overdone. The Democrats have long been to the right of their British cousins in the Labour party. And a presidential race is qualitatively different to a British general election. It will be a long time before Mr Blair can embrace many of the policies on which Mr Clinton has built his platform. It is difficult to imagine even a Conservative government proposing a reform as tough on state benefit recipients as that signed into law by Mr Clinton last week.

But for all the differences, the similarities are striking. They stem partly from the language the two parties now share; opportunity, responsibility and community are a mutual mantra. More fundamentally, it is clear both parties are responding to the same dilemma: how to show they can still make a difference beneath the tight cap that financial markets and voters have placed on higher taxes and bigger government.

In Chicago, Mr Clinton's party has been setting out an agenda for activist government within these economic and electoral constraints. There is no big idea, but rather an avalanche of small pledges shaped to meet the immediate concerns of voters. Thus the president's speeches in recent days have been peppered with small-town initiatives: programmes to boost literacy in the classrooms and raise the school-leaving age, to provide tax credits for families, and to improve access to child and health care.

The appeal of the two leaders to middle America and middle Britain bear uncanny similarities. The formal Democratic "platform" declares that Americans "want a government that is for them, not against them, that does not interfere with their lives but enhances the quality of life. They want a course that is reasonable, help that is realistic, and solutions that can be delivered." Mr Blair's draft manifesto strikes the same note, declaring: "We believe you, the people, would prefer clear practical promises that the government actually fulfils to promising the world and delivering nothing." The emphasis in both documents is on opportunity, and matching the rights of citizens with responsibilities.

New Democrats and New Labour alike are also seeking to reclaim the standard of the family, ceded to the right in the 1960s. Conservatives have defined family values in terms of smaller government and traditionalist positions on issues like divorce and abortion. Mr Clinton and Mr Blair are promoting a different agenda based on discreet initiatives designed to support family life. Children are centre-stage.

If their approaches are the same, so are their problems. Both promise a fundamental overhaul of social security to replace dependency with work. Unless they curb spending on the welfare state, they will not find room for discretionary increases elsewhere. But the welfare bill signed by Mr Clinton is widely viewed as flawed, cutting benefits without offering alternatives. Mr Blair's specific proposals have fallen far short of his stated ambitions.

Then there is biggest issue of all – tax. The two men share a commanding lead in opinion polls. Both, though, see the biggest danger to their electoral prospects in the pledges of their opponents to cut income taxes. Mr Dole and Mr Major, they argue, are offering a fraudulent prospectus. But neither the New Democrats nor New Labour can be certain that the voters may not think otherwise.

Philip Stephens

Cinema

Self-analysis made fable

STEALING BEAUTY
Bernardo Bertolucci

MULHOLLAND FALLS
Lee Tamahori

PHENOMENON
John Turteltaub

Shakespeare, Dr Johnson observed, would have sold his soul for a good pun. What ever would the good doctor say about Bernardo Bertolucci? Italy's once most dazzlingly cerebral film-maker (*The Conformist*, *The Spider's Stratagem*) has been selling his soul by instalment, or rather his brain, for over a decade to buy ravishing camerawork.

He spun golden images in the beautiful, empty-headed *The Last Emperor*. He turned Paul Bowles's nihilistic novel *The Sheltering Sky* into "Lawrence Of Morocco". And in *Little Buddha* Keanu Reeves surfed the tantric universe dressed by what seemed the Nepalese branch of Christian Dior.

Bertolucci has become an aesthetic caretbagger bent on self-exile. So where more natural for him to turn, in his first film made at home for 15 years, than to that corner of an Italian field that is forever Anglo-American: Tuscany. Here beauty comes with tax incentives, copies of the Guardian or Herald Tribune and the frisson of being an interloper.

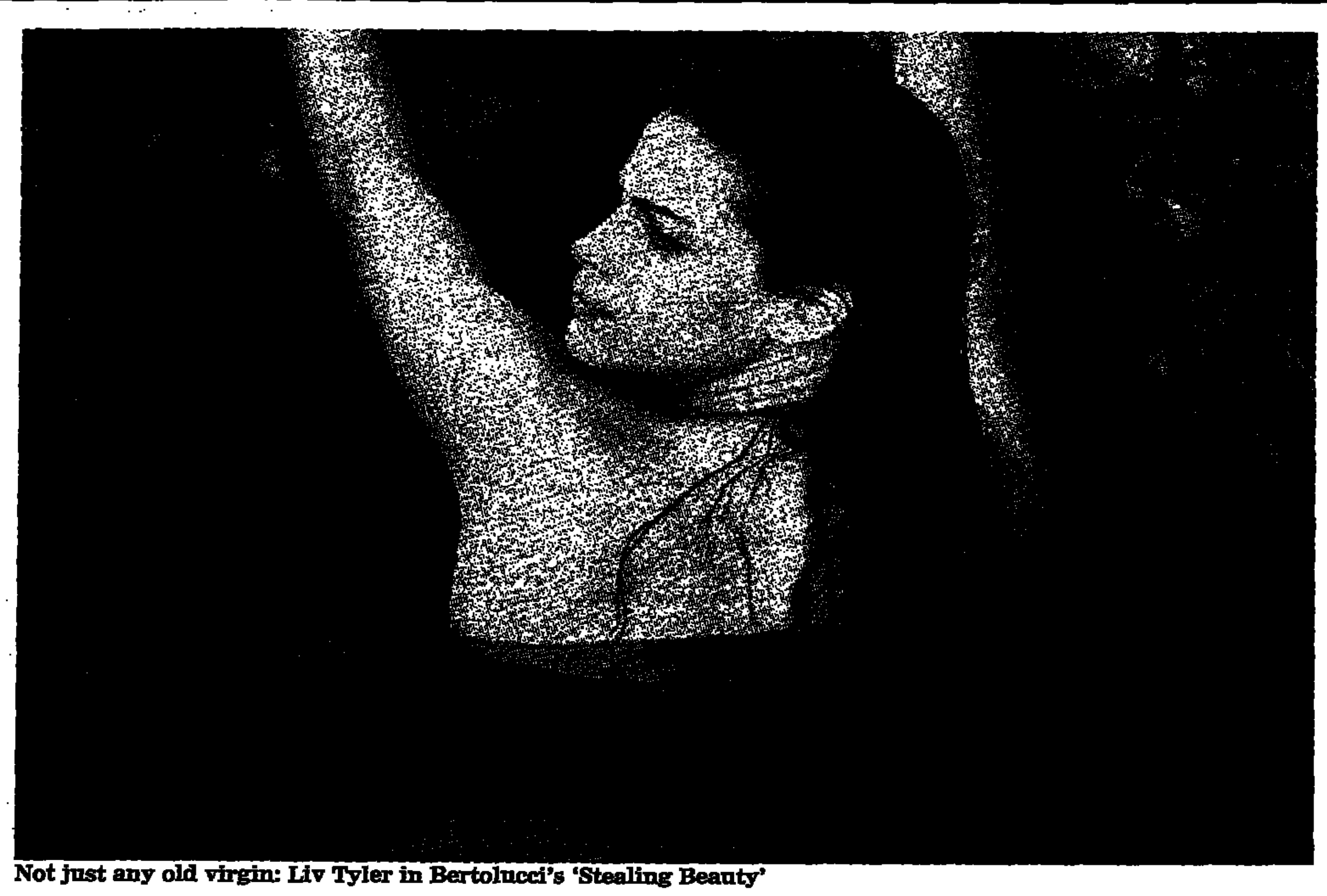
To this Chiantishire photographed with fulgent lyricism by Darius Khondji (of *Seven*) comes American virgin Liv Tyler, a fey full-lipped beauty on the brink of womanhood. On first impression she seems unlikely to reach it here. The villa owned by ageing Irish sculptor Donal McCann, who does large terracotta objects on hilltops, contains a leukemia-dying playwright (Jeremy Irons), a near-senile Frenchman (Jean Marais), McCann's wife Sinead Cusack and a small nest of poisonous Italians and Americans.

As the plot uncoils like a multilingual Chekhov pastiche around the passive-enigmatic Miss T, I kept wondering why I liked this film. Perhaps it was because despite the Europudding cast and aeon-honoured plot premise (will she, won't she lose her virginity) it has a cranky, curvilinear radiance. I suspect the film is a piece of unconfessed mid-life autobiography: that Tyler is not just any old virgin – who would care if she were? – but Bertolucci himself, re-gendered and made photogenic.

Look at the human and inanimate debris around her: it could all come from Signor B's recent *oeuvre*. The dying expatriate writer-sage could be Paul Bowles (*Sheltering Sky*). The sculptures look suspiciously like China's terracotta warriors (*Last Emperor*). And Jean Marais is surely there because he was the star of Cocteau's great *La Belle Et La Bête*, the faery precursor of Bertolucci's more brutalist variant on ill-matched love, *Last Tango In Paris*.

If *Stealing Beauty* is self-analysis made fable, no wonder that the moments of sudden, inexplicable enchantment – a door that opens through a magically impossible arc, written words that fly from a diary across the screen, a swimming pool out of Hockney via Della Francesca – have that intimist-symbolist *éclat* that we know from Bertolucci's best work: like the cinema roof opening to the stars in *La Luna*, or the lavish splashings of light on texture, like sea on rock, in *The Conformist*.

Tyler does finally, of course, lose her "innocence". But even this scene has a quirky off-centre lyricism. The boy she couples with, awkwardly at twilight under a tree, says at one point in the foreplay/disrobing stages "Could you help me?" It is a deeply touching, tenderly funny moment. It shows that growing up is not necessarily the moment of zipless apocalypse we are sometimes promised. There are hesitancies, false directions and even false passions before one finds or refinds – as Bertolucci seems to be doing – the sempiternal in the simple, the existential in the everyday.



Not just any old virgin: Liv Tyler in Bertolucci's 'Stealing Beauty'

Not content with pinballing an Italian director around China and the Sahara, the movie fates have sent New Zealand's Lee Tamahori, who made that visceral tale of dysfunction in a modern Maori family *Once Were Warriors*, to Hollywood to direct a 1950s-set *film noir*. *Mulholland Falls* is a piece of Los Angeles Gothic modelled after – a long way after – *Chinatown*. A bunch of stars in period glad-rags, led by Nick Nolte and Melanie Griffith, brood through a convoluted plot about sex, blackmail and atomic radiation.

Even the dialogue tries to ape Polanski's precursor. "This isn't America, Jack, this is L.A." someone says to Nolte, hoping to re-summon shades of "Forget it, Jake, this is Chinatown." But actually this is nowhere. Just a movie backlot where grandiose sets and improbably sparkling period cars show up the lacklustre plot, direction and performances.

Once in a blue moon, a film compels its audience to take a fresh look at life, writes Martin Mulligan. It shatters fixed ideas and causes a small but permanent shift of viewpoint. *Phenomenon*, alas, is not one of those films. But it so nearly is.

George Malley (John Travolta) is the affable denim-clad regular guy in leafy Harmon, north California. Big-hearted, unambitious, good with kids and one of the boys, George is content with his small-town existence as a car mechanic and spare-time gardener. Life would be just hunky-dory if he could settle down with Lace (Kyra Sedgwick), a sassy single mum who fails to reciprocate his dogged affection.

All that is about to change. Staggering home from his 37th birthday party, George sees a bright light in the sky, drops his beer glass, and blacks out. When he wakes up, gone is the smiling, uncomplicated good guy. Within days he has taught himself Spanish, mastered the physics of solar power and humiliates his friend Doc (Robert Duvall) at chess with Karpov-like flair. He is still good hearted, though – we know, because he waltzes with his bloodhound behind closed doors.

George is only warming up. Before you can say "exponential growth", he can give any flower he sees its Latin name, sense tremors in advance of earthquakes, even make a paper-clip dance in mid-air just by thinking about it. He learns Portuguese in 20 minutes during a truck ride to a farm where a food-poisoned father is trying to direct searchers to his son. George is not only a polymath but an *empath* into the bargain: he follows the direction indicated by his own stomach cramps to the boy.

His former friends and neighbours now shun him – and it gets worse as the wider world wakes up to George's existence: first the scientific community; then the FBI; and finally an enthusiastic doctor who wants George to undergo open brain surgery for science's sake. You just know it'll end in tears.

Travolta's performance is plausible, although that beatific smile can grate on the nerves. George could be a country cousin of Tony Manero, whose Brooklyn disco antics shot Travolta to fame not quite 20 years ago. *Phenomenon* promises much, only to throw away its winnings with its unconvincing denouement. If director Jon Turteltaub and scriptwriter Gerald DiPego had had the courage to persevere with the gritty depiction of human xenophobia it might have been peerless.

Phenomenon's central idea – that you do not get more goodness from more knowledge – is however worth the price of admission. It is the audience's loss that the schmaltzy final scenes degenerate into homespun philosophy. "Like this apple" says a munching George "everything is on its way to somewhere". A shame then, that this film loses its way.

Nigel Andrews

Theatre

Bodies revived

Since the Restoration, bourgeois theatregoers have delightedly squirmed at the portrayal of their life, art and infidelity on stage. Richmond's Orange Tree Theatre, celebrating 25 years, does much to sustain this dramaturgical tradition. Its chief contemporary exponent is James Saunders whose 1977 play *Bodies* launches the silver anniversary season of new and retrospective works.

First staged at the Orange Tree, *Bodies* was subsequently seen at Hampstead and in a West End transfer with comic actor Dinsdale Landen in the lead. Landen, nearly 20 years older, reprises his role as Mervyn the bluff Headmaster at the centre of a love quadrangle. He fumbles when he lights his pipe, stumbles a bit over Mervyn's gymnastic wit, but is nonetheless a commanding presence. He veers from deep distress at the attempted suicide of one of his pupils, to mischievous glee in inviting to dinner the couple with whom both he and his wife had affairs nine years ago.

Mervyn and Anne endure their marriage, drenching their tiffs in whisky. Helen and David, on the other hand, escaped to America, indulged in breakdowns, discovered therapy, and have smugly reformed themselves enough to return to Esher. The reunion of these two couples unpicks the scab of their wounded past.

It seems that Saunders carefully pours scorn on the couch of psychoanalysis. We need neurotic abstractions – God, art, extra-marital affairs – for that is what it is to be human. And yet Saunders does not deny that life can be banal: "She knew. I knew she knew. She knew I knew she knew," says Mervyn of Anne about his affair with Helen.

Act I establishes the back-story, each character delivering soliloquies. Act II – after-dinner coffee in the lounge – is mainly delivered in monologues. Although the play thus becomes an undramatic discussion of ideas rather than character-driven debate, Dominic Hill directs assuredly. Each supporting actor gives a finely-tuned performance: Stuart Fox's suavely arrogant David; Liz Crowther's agonisingly serene Helen; Carole Nimmons' confidently neurotic Anne. (The women have less to explore than the men: Saunders neglects to give either a career, for example.)

Ti Green's design places the characters on tubular-steel masculine chairs which post the four corners of the stage; they then wrestle with their consciences in-the-round. There is also a large gold-fish tank with four frisky fish. Only one detail is misjudged: Bach's First Sonata for Unaccompanied Violin introduces each act. A string quartet would have been more apposite.

Simon Reade

At the Orange Tree Theatre, Richmond until October 5 (0181-940-3633).

Going solo on the Fringe

Solo shows are among the most unpredictable categories of Fringe fare: you may see a virtuoso display of one-person theatre, a slab of self-indulgent catharsis (where the performer has suffered for their art and now it is the audience's turn), or occasionally both at once.

In *Think no Evil of us: My life with Kenneth Williams* (St John's church hall), David Benson interweaves his own memories of a tyrannical headmaster and an insane mother with eerily perfect impersonations of the late comedian, in a dramatised coming-to-terms both with others' shortcomings and his own. Carol McGuigan's *Inside Uitlander* (Assembly Rooms) is a gentle, touching account of her teenage years as a Geordie transplanted to the Orange Free State, spiced with gloriously nostalgic references to the 1970s pop music which served as a lifeline to her homeland.

Albert Camus, What's the Score? (Pleasance) pretends to be autobiographical but is not: performer Nick Whitworth and co-writer Wes Williams have created an irritating but engaging character in Alex, a existentialist goalkeeper whose relation-

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ship with his girlfriend suffers at the hands of his obsession with the French-Algerian writer.

The protagonist of Donal O'Kelly's two-hour tour-de-force *Catalpa* (Theatre Workshop) is an unsuccessful Dublin screenwriter; his hero, in turn, is the captain of a Massachusetts whaler engaged in 1875 to spring six Fenian prisoners from Western Australia. In telling this true story O'Kelly presents a dazzling array of characters ranging from a ghost to a sea-bird, and turns his bedroom set ingeniously into a ship in full sail. O'Kelly's last Edinburgh appearance was six years ago; he should return more often to demonstrate the pinnacle of grand single-handed drama.

O'Kelly's performance does not stint on physicality, but he is left in the shade by Australian company Legs on the Wall. *All of Me* (Pleasance) is a remarkable, almost wordless acrobatic piece recounting the slow disintegration of a family. Beginning with one performer spot-lit in mid-air as the yet unborn daughter, this quartet build a variety of locations with their bodies, depicting golden times, growing tensions and finally a suicide, all with astounding grace and energy.

This year as last, though, the piece at once most spectacular and most emotionally powerful was *Carmen Funebre* by the Polish company Teatr Biuro Podrozy (Edinburgh University Old Quad; run ended). They did not set out to explore the ramifications of war, simply to portray its horrors. In a darkened, booming open air space, sinister stilt-walking warlords rounded up victims hidden among the audience, herding them through huge, forbidding gates; wounded veterans were fearfully reviled by their former comrades; at every moment one's heart and conscience ached at the senseless and inhuman waste. Many of the audience applauded wildly; some reeled away in dumb, awestruck silence.

Ian Shuttleworth

All shows run to August 31 except where noted; Edinburgh Fringe box office 0131 226-5138.

Theatre

Time and the Room

While Lisa Forrell's production of *Time and the Room* last year at London's Gate Theatre gave equal weight to Botho Strauss's humour and his dark absurdity, Martin Duncan emphasises the brightness which has led Strauss occasionally to be derided as a German Ayckbourn. Here, irrationality looms up to subvert events rather than existing in counterpoise with them.

In Act I, Tyrone Huggins and John Ramm do a Gilbert and George impression as Julius and Olaf, the room's inhabitants, whilst a number of other characters enter, leave and on occasion simply vanish according to conversational cues.

After the interval, a series of discrete scenes bear out Marie Steuber's earlier declaration that "I've adapted myself to everybody." Whether at a bizarrely seductive dinner or engaged in a domestic row over (of all subjects) Medea, Marie's personality is quite discontinuous; it varies with the function of the room itself.

Wolfgang Göbbel's disconcertingly non-Euclidian set is cleverly versatile – perhaps too much so, as now and again the physical layout of the room itself changes. Duncan shows a sharp eye for human idiosyncrasy: Alexandra Mathie's Impatient Woman, in particular, is a delightful mélange of tics and insecurities, going back to redeliver a line of small talk when she feels she has not been casual enough. As Marie Steuber, Anita Dobson once again sidles up on excellence but just misses: she rings Marie's changes of mood and register expertly, but offensive deliberation persists throughout her performance.

Strauss's concern with the mutability of individual identity according to social and physical environment is at times overshadowed by a production which demonstrates wit of its own: scene changes are orchestrated to music ranging from a 1930s novelty number to 1980s Europop hit "99 Luftballons", a wall alcove which had been a video library suddenly becomes a drinks cabinet, and a running gag results eventually in a foot-high mound of disposable cigarette lighters on the stage.

For some years Strauss's lack of popularity in Britain has been a mystery, since Britain has a theatrical culture in tune with his style and preoccupations. However, a polished production such as Duncan's may be just the thing to bring his work to the broader attention it merits.

I.S.

At the Royal Lyceum Theatre until August 31; Edinburgh Festival box office 0131-2255756.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-5730573
● Radio Filharmonisch Orkest: with conductor Alexander Lazarev and violinist Vadim Repin perform works by Glazunov and Shostakovich; 8.15pm; Aug 30

ATHENS

THEATRE
Ancient Theatre of Epidaurus Tel: 30-753-22066
● Royal National Theatre of Britain: perform Sophocles' Oedipus Tyrannus and Oedipus at Colonus (in English). Directed by Sir Peter Hall. Part of the Epidaurus Festival; 9pm; Aug 30, 31

BERLIN

EXHIBITION
Altes Museum Tel: 49-30-8301332
● Lovis Corinth: retrospective exhibition devoted to Lovis Corinth, one of the leaders of German Impressionism. The display includes nearly 150 paintings, approximately 60 drawings and watercolours, as well as a selection of prints. After the showing in Munich the exhibition will travel to Saint Louis and London; to Oct 20

OPERA
Komische Oper Tel: 49-30-202600
● Falstaff: by Verdi. Conducted by Yakov Kreizberg and performed by the Komische Oper. Soloists include Korondi, Oertel, Fink and Rabsilber; 7pm; Sep 1

BRUSSELS

EXHIBITION
Palais des Beaux-Arts Tel: 32-2-5078466
● L'art en résistance. Peintres allemands de l'entre-deux-guerres: exhibition of works by German artists, created between World Wars I and II. The display includes some 200 paintings and drawings by artists such as Max Beckmann, Otto Dix and Georges Grosz, giving an overview of German art in this period. The works come from the collection of Marvin and Janet Fishman; to Sep 8

HAMBURG

OPERA
Hamburgische Staatsoper Tel: 49-40-351721
● Don Giovanni: by Mozart. Conducted by Bernhard Klee and performed by the Staatsoper Hamburg. Soloists include Orgonasova, Gustafson and Rossmanith; 6pm; Sep 1

LONDON

CONCERT
Royal Albert Hall Tel: 44-171-5898212
● Orchestra of the Eighteenth Century: with conductor Frans Brüggen and violinist Thomas Zehetmair perform works by Haydn, Rameau and Beethoven. Part of the BBC Henry Wood Promenade Concerts (Proms); 2.30pm; Sep 1

LOS ANGELES-MALIBU

EXHIBITION
The J. Paul Getty Museum Tel: 1-310-459-7611
● The Compositional Drawing from the 16th to the 19th Century: an exhibition exploring how great masters, including Michelangelo, Salvator Rosa and Théodore Gericault, used drawings to develop compositional ideas for paintings, sculptures and prints. Several of the compositional drawings are exhibited together with photographs of the finished works they anticipated. Among the highlights are Paolo Veronese's "Martyrdom of Saint Justina" (1575), a large preparatory drawing for the altarpiece in the church of Santa Justina, Padua (1574-75), and Jacques Louis David's "The Lictors Carrying the Body of Brutus" (1787) that set forth the main compositional elements for the painting of 1789 (Paris, Musée du Louvre); to Dec 8

MADRID

EXHIBITION
Palacio de Velázquez Tel: 34-1-573-62-45
● Cindy Sherman: exhibition of a selection of some 70 photoworks featuring examples of the "Untitled Film Stills" of 1977-1980 which brought Sherman international recognition. Also on show are works from her most extreme photo-series "Disgust Pictures" (1986-1989), "Sex pictures" (1992) and "Horror Pictures" (1995), the most recent of which have not been exhibited previously; to Sep 22

NEW YORK

EXHIBITION
MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400
● Picasso and Portraiture. Representation and Transformation: exhibition surveying the portrait work of Pablo Picasso (1881-1973). Beginning with early studies from the artist's years in Barcelona, the exhibition moves through Picasso's life via intimate portrayals of his family, lovers and friends, including his childhood friend and later secretary Jaime Sabartés, the poet Max Jacob, Picasso's first great love Fernande Olivier, Olga Picasso, the artist's wife in the 1920s, and his last wife, Jacqueline. The display comprises more than 130 paintings, approximately 100 drawings and prints, and one sculpture. Photographs and brief biographical notes on the sitters accompany the portraits; to Sep 17

OSLO

THEATRE
Nationaltheatret Oslo Tel: 47-22-411640
● The Pretenders: by Ibsen. Directed by Terry Hands and performed by the Nationaltheatret. The cast includes Sverre Anker Ousdal and Toralv Maurstad. Part of the Ibsen Stage Festival; 7.30pm; Aug 30, 31 (6pm)

PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Fréderick J. Kiesler: retrospective exhibition devoted to the architect/artist Frederick Kiesler (1890-1965). The display gives an overview of his architectural designs and ideas and shows a selection of his paintings, sculptures, installations, stage designs and other works; to Oct 21

SAN DIEGO

EXHIBITION
San Diego Museum of Art Tel: 1-619-232-7931
● Discovering Ellis Ruley: traveling exhibition featuring approximately 60 paintings by African American folk artist Ellis Ruley (1882-1959); from Aug 31 to Oct 27

SAN FRANCISCO

EXHIBITION
SFMOMA - Museum of Modern Art Tel: 1-415-357-4000
● The San Francisco School of Abstract Expressionism: this exhibition explores the work of the Abstract Expressionist movement on the West Coast and includes approximately 65 works by artists such as Jay DeFeo, Richard Diebenkorn, Sonia Gechtoff, Walter Kuhlman, John Saccaro and Clyfford Still. Known at the time as "free-form painting", these works of the 1940s and 50s were inspired by the natural beauty of the West Coast, as well as by jazz and Beat poetry; to Sep 29

ZURICH

EXHIBITION
Kunsthaus Zürich Tel: 41-1-2516765
● Pierrick Sorin: Video-Installationen: exhibition featuring the video art of Pierrick Sorin. The display includes works created between 1990 and 1996. The subject in all of Sorin's works is the artist himself; from Aug 30 to Oct 27

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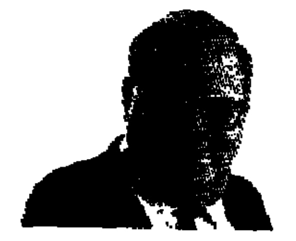
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

COMMENT & ANALYSIS



Economic Viewpoint · Samuel Brittan

Of happiness and GDP

Although national income is not an adequate measure of human welfare, there are fundamental difficulties in constructing alternative indices

Of all the many journals coming across my desk, one of the most stimulating is New Economy, the quarterly published by the self-proclaimed "left-leaning" Institute of Public Policy Research. This is because Mr Dan Corry, its editor, is more concerned with the analysis of ideas than with party politics.

The spring issue raised interesting questions in an article entitled: "Does money buy happiness?... If not, what does?"

"Money" is a popular name for what should strictly be called real income. In the context of the nation, this is defined as the value of all the newly produced goods and services in a particular period and also of the incomes generated in producing them.

The innocent observer may hope that this can be an entirely objective measure. This is a vain hope because of the problem of adding apples and pears. Output differs in composition between one country and another, and in the same country between one year and another. The only way of making numerical comparisons is to value what is produced at market prices, making some allowance for inflation.

The justification is that weighting by market prices is consistent with citizen preferences. Although national income statisticians strenuously avoid profound discussion of human happiness, they must at least assume that more gross domestic product is preferred to less.

It has nevertheless long been known that GDP is highly imperfect as a summary of how far people's preferences are satisfied, let alone anything deeper. One example of its shortcomings is that work in the home is not measured. A less well-known example is travel to work, which counts as expenditure out of income. It would be more realistic to regard this fume-filled leisure-destroying necessary evil as a subtraction from real income.

There are some mundane measures that can be taken to improve the value of the normal GDP figures. One would be to publish more frequent estimates in terms of GDP per head or per worker. Best of all – as it would also take into account the value of leisure – would be output per hour.

Even with such corrections, GDP would still be a fallible measure of satisfaction. Europeans have been annually polled on how satisfied they are with their lives. Only Belgians show a large drop in the number saying they were "very satisfied" between the 1970s and the 1980s. For the rest, the variations between countries completely dwarfed the changes between the two periods. The country with the greatest proportion "very satisfied" was Denmark with 62.8 per cent. The country with the lowest proportion was Italy with 13.2 per cent. The UK came in the middle with 30.9 per cent. These extreme variations must partly represent linguistic differences.

Conundrums increase if we look at the opposite end of the spectrum, at people so unhappy they take their own lives. Suicide accounted for only one in 12,000 deaths in the UK, but one in 3,000 in Denmark – in contrast to the high satisfaction levels reported by the majority.

But there is one finding which cannot easily be knocked down. This is that unemployed people report much greater levels of dissatisfaction than those with jobs. In an Edinburgh survey their relative risk of attempted suicide was 12 times as high as the employed. One does not have to be "left-leaning" to accept this.

There is a measure which puts a direct weight on unemployment, known as the Misery Index. It is a crude index, which is simply the sum of inflation and unemployment. The higher the index, the worse the economy is performing.

The index formula is arbitrary, as the unemployment and inflation percentages are not percentages of the same thing. The first chart shows how doubling the weighting given to unemployment makes the misery index turn up instead of down in the 1990s.

Unfortunately, the more ambitious the attempt to construct a sophisticated measure of welfare, the more it is dependent on the judgment of the person constructing the index. The best way to adjust for environmental change and other aspects of the quality of life may be through a series of different indicators, on clearly stated assumptions, none of which should claim to be the whole truth.

The most widely known attempt to build a broad index of human welfare is the Human Development Index published by the United Nations Development Programme. This is based on an average of GDP, life expectancy and educational attainment. Educational attainment is suspect. If it contributes to economic growth, it will be reflected in GDP in future years; and it is double-counting to include it now. But for what it is worth, Canada came in at number one place on the HDI index, the US was number two, Japan three, the UK 18, Ireland 19, India 134, Ethiopia 171; and Mali was at the bottom with 172.

Mr Corry and his colleagues have made a brave attempt to construct their own New Economy Well-Being Index. They have taken seven indicators and averaged them: real income per head (measured by GDP); growth in real income per head; unemployment; percentage change in unemployment; inequality; inflation; and base rates. The result is a fluctuating movement, but with a depressing trend deterioration from the 1960s.

The index is unconvincing. Is there not some double-counting in putting together the movement in real income or unemployment and the changes in them? There are also problems in converting all these different measurements to a common scale.

But I am afraid I draw the line at including "inequality" in a well-being index. If this rules me out of the congregation of the "left-leaning" so be it. Too many economic commentators are morally bullied into implicitly accepting the goal of equality – only available in the graveyard – when they talk about "inequality" as an obvious evil.

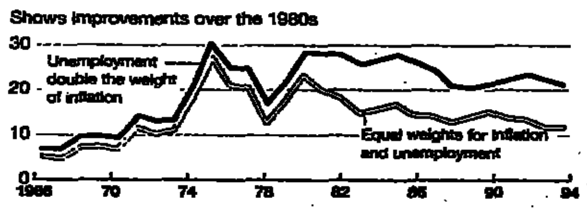
Inequality is not the same as poverty or even as the distribution of income. If you start with a completely equal society (whatever that means) and introduce a national lottery, "inequality" would increase even though any resulting decrease in most people's living standards is infinitesimal and they may enjoy the thrill of a large prize.

There is a difference between inequality at the top, represented by a few people drawing large prizes, and inequality at the bottom which can be due to the existence of a large depressed class. The most usual measure of inequality, the Gini co-efficient, does not distinguish between the two kinds. Thus one post-war study showed Puerto Rico and Italy were more equal than Sweden, Denmark and the Netherlands.

The suspicious element in much of the attempt to go beyond GDP is the subtext that says that all human satisfaction must be relative to other people's. In other words, people do not gain from increases in their living standards, unless they improve relative to others. As we cannot all have a relative improvement, this makes human progress a delusion and the 20th century – even in periods of peace and calm – no better than the stone age.

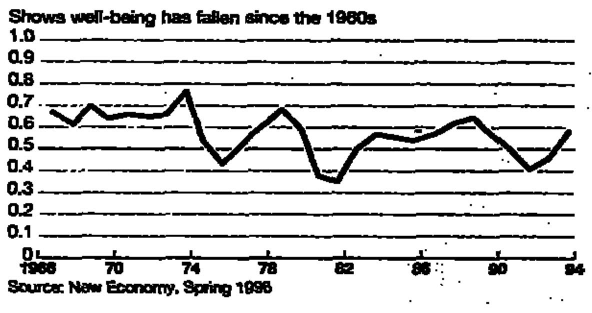
The Misery Index

Shows improvements over the 1980s



The New Economy Well-being Index

Shows well-being has fallen since the 1960s



Source: New Economy, Spring 1996

BOOK REVIEW · John Ridding

OPIUM: A HISTORY by Martin Booth
Simon and Schuster, 381pp, £17.99

A global harvest of human misery

History, trade, and society have long been shaped by opium, says Mr Martin Booth, citing the birth of Hong Kong during the 19th-century opium wars as one prominent landmark. In an exhaustive and depressing study, he argues that the narcotic will continue to wield a powerful influence.

It is a worrying message for producer countries, from central Asia to south America, consuming nations and governments which have failed to curb an illicit trade now estimated at US$750bn (£483.9bn) annually. Mr Booth describes a system of production and trafficking so firmly established and flexible that it swiftly adapts to changing political and economic circumstances.

A case in point is the collapse of communism. Cold war rivalry in countries such as Vietnam and Afghanistan often provided cover for traders and producers, with the US and the Soviet Union turning a blind eye to their activities. Political and economic liberalisation might have been expected to make it easier to curb the drug traffickers.

Unfortunately, the benefits are not so apparent. Afghanistan, already one of the largest producers of illicit opium, has seen an increase in the number of poppy farmers with the return of refugees after the withdrawal of Soviet troops. And since UN troops pulled out of Cambodia in 1993, the opium trade has increased to such an extent that drug enforcement agents now call it "Medellin on the Mekong", a reference to the Colombian cocaine city.

Economic reform has also brought new problems. "Heroin use is increasing at an alarming rate in China," writes Mr Booth, pointing to an unwelcome side-effect of rising disposable incomes and looser social control. Chairman Mao effectively quashed opium production in China, but illicit poppies are now farmed in about 16 provinces.

Kunming, the capital of the western province of Yunnan, has an estimated addict population of 100,000. Citing a Chinese proverb, Mr Booth notes that opening the window of economic reform has allowed in mosquitoes and evil spirits as well as sunshine.

There are similar problems in Vietnam, which appears to be emerging again as an important trafficking route from the Golden Triangle, the main opium-producing region which straddles the borders of Thailand, Laos and Burma.

And in eastern Europe, "political liberation, and the restructuring of police and security services has been a boon to ethnic organised crime groups who are developing new routes between the old east and the west," says Mr Booth.

Those fighting such groups have made only limited gains. Concerted international efforts, such as the 1988 United Nations Vienna Convention which sought to tackle the opium trade through measures against money-laundering, have fallen short of promises.

The result is that illicit opium production, which fell sharply after the 1930s, has climbed strongly since 1970. In May last year the UN International Drug Programme estimated there were between 40m and 50m drug addicts worldwide.

It also pointed to a worrying trend of addiction spreading from rich to poor nations, which are less equipped to tackle the problem. The associated threat in terms of crime and medical costs are alarming, although Mr Booth strays into hyperbole in warning that opium "may well yet prove to be the downfall of humanity".

The book is strongest in its explanation of the rise of opium and its more dangerous derivatives, how it has penetrated societies and how the drugs industry has developed into a potent international threat.

The financial incentives which drive the industry, for example, are clearly demonstrated by a simple list which shows how the value of raw opium rises from between $66 and $75 a kilogram in the Golden Triangle to $400 to $600 per gram by the time it reaches the streets of New York as refined heroin.

But the book is weaker – and certainly less exhaustive – in addressing counter-measures. Crop substitution schemes and opium eradication policies are dealt with tersely. Draconian anti-drugs laws in Malaysia and Singapore are quickly dismissed. More seriously, the question of whether legalising drugs might reduce the criminal activity associated with narcotics is dealt with in a few sceptical paragraphs.

Mr Booth suggests that tougher measures against the circulation of drugs money are needed and sensibly points to the need for increased education to counter the attractions of narcotics and to address cultural traditions. But there is little assessment of how these approaches have performed.

With the scale of the problem forcefully established, such gaps loom large. But they also underline the intractable nature of the threat. As Mr Booth gloomily concludes, the "joy flower" first cultivated by Sumerians in 3400 BC, and long prized as a unique pain-killer, will continue to yield modern misery.

Opium: A History is available from FT Bookshop by ringing FreeCall 0500 418 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Ofgas and its proposals for TransCo review

From Mr Philip G. Rogerson.

Sir, There are a number of points in Lex and the editorial comment "Burning up the profits", (August 22) on Ofgas' final proposals for the TransCo formula review which call for responses if your readers are to understand the true nature of these proposals.

You say "the company has secured significant concessions from its regulator". In fact concessions, apart from Ofgas' recognition that its position on the focused privatisation discount and drawback was untenable, are minimal.

As the regulator is predicting almost the same level of gas price cuts as before, it is difficult to understand why Lex drew a different conclusion from most observers.

Ofgas' own published forecasts of allowable revenue show a difference of only £400m at constant 1994 prices between its initial and its final proposals for the period 1997-98 to 2001-02. That is 3 per cent of aggregate allowable revenues predicted by Ofgas and hardly amounts to "significant concessions" resulting from their proposed price cut of 20 per cent followed by further cuts equivalent to RPI minus 6.5 percentage points each year for the four following years.

You state that, as a general principle, shareholders' return should be calculated on "what they actually paid for the business, namely the market value at the time of privatisation. Ofgas has rightly opted for the latter approach, though using the 1991 market value."

This was what was allowed by the Monopolies Mergers Commission to British Gas in its 1993 report when it adjusted the cost of capital on pre-1992 current cost assets to the 60 per cent market asset ratio. The Commission also allowed full current cost depreciation in the calculation of revenue on pre- and post-1992 investments.

It would help everyone understand the nature of the disagreement between British Gas and Ofgas if the pretence was dropped that Ofgas' current proposals do not overthrow this fundamental part of the Commission's report.

Also, you state that "under TransCo's proposal of CCA accounting, today's consumers would be paying substantially more than was needed to fund present investments". This is not the case.

First, depreciation is the recovery of past investment. Second, Ofgas (unlike Offer in the National Grid review) appears to have used allowable depreciation in its net present value calculation that is less than capital expenditure. The uncertainty about Ofgas' position stems from the fact that (again unlike Offer in its National Grid review) it has not allowed access to its consultants' reports; and it has published neither its NPV model nor its depreciation assumptions.

Philip G. Rogerson,
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The Adelphi,
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Eco-labelling will act as trade barrier

From Mr B. C. Bateman.

Sir, Your article, "Eco-label scheme upsets paper makers", (August 26) gives the impression that paper makers are frustrating efforts to improve environmental standards by their rejection of the European Union's eco-label. The truth is quite different.

The European paper industry contributed to the original discussion but as politicians interfered, devaluing the environmental indicators, the industry withdrew. In contrast, paper makers favour environmental management systems and are committed to this approach.

This cannot be said of the eco-label which is flawed in its approach and application. The sulphur criteria was introduced in last-minute "horse trading" by EU officials to win over a doubting member country and achieve a qualified majority for the eco-label process by just one vote.

The "market mechanism" of eco-labelling will act as a trade barrier. It will discriminate against non-integrated mills in central and southern Europe and it will do little to improve the environment.

The eco-label specifically discriminates against the use of the efficient combined heat and power plants which contribute to the reduction of emissions of global warming gases, in favour of the much less efficient power plants in the electric supply industry. Is this sensible? We think not, which is why the industry has distanced itself from this ill-thought out process.

B. C. Bateman, director,
business and environment,
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ID cards and fraud

From Mr John Green.

Sir, I cannot see how Mr Michael Howard, the home secretary, is guilty of any misdeed in the way he is handling the introduction of ID cards. I can't understand the attitude of people like Mr Gilmour Parvin (Letters, August 24) unless they have something to hide. Everyone had ID cards during the war years and if nothing less, their reintroduction would reduce fraud.

John Green,
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A nation's culture can be a source of motivation

From Mr Timothy Hardisty.

Sir, Martin Wolf's article ("The poverty of nations", August 20) argues that "to the extent that differences in culture are expressed in individual capacities, these cannot explain the huge variations in incomes across countries".

I strongly disagree because I believe that some cultures motivate people to maximise their economic potential more strongly than others.

Taiwan and Hong Kong have cultures that encourage free enterprise and are consequently more successful than mainland communist China.

Similarly, the caste based culture of India inhibits fairness, equality and the development of a free enterprise society.

There are numerous other examples in the world including tribalism in Africa.

Furthermore, I would hypothesise that countries that have a culture which encourages a belief in their nation's destiny to play an increasingly significant role in shaping the future of the world are more likely to succeed in motivating their citizens to work hard and effectively.

An example of this could well be Japan.

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FINANCIAL TIMES

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Thursday August 29 1996

The route to open skies

British and US negotiators say their aviation talks have broken down because they interpret the term "open skies" differently. The real difficulty is that neither country shows a genuine commitment to open aviation, preferring to promote the narrow interests of national airlines.

The US is demanding full access to the UK air market, and particularly to London's Heathrow airport, as well as the right for its carriers to fly to third countries – known as "beyond rights". While these demands are legitimate, they are unconvincing from a country whose enormous domestic air market is closed to foreign competition and which limits foreign ownership of its airlines to 25 per cent of voting stock.

While Britain is justified in demanding that these restrictions be removed, it is wrong to insist it will only conclude an open skies agreement if the US authorities simultaneously grant anti-trust immunity to the proposed alliance between British Airways and American Airlines.

Aviation alliances come and go, as evidenced by the recent rupture in relations between BA and USAir. A new US-UK aviation agreement should establish an enduring framework for vigorous competition between airlines, providing them with an incentive to improve service and lower fares. As things stand, the UK government gives the appearance of being prepared to negotiate only because BA has asked it to, having determined that an open skies agreement is the price to be paid for US approval of its alliance.

Overcoming obstacles

To overcome the obstacles to a new agreement, the two governments need to decouple the proposed BA-American tie-up from the open skies issue. A liberalised aviation market is good in itself. BA and American's proposal to combine operations should be judged on its merits by competition authorities on both sides of the Atlantic. In deciding whether to approve the alliance or impose conditions such as the surrender of routes or airport slots, the regulators will consider what scope there is for other airlines to compete.

The governments should concentrate on negotiating a liberalised regime based on agreed principles. Underlying these should be a commitment from both sides to allow any airline from one country to fly to any airport in the other, and then carry passengers anywhere else, whether domestically or abroad. The UK's resistance to granting beyond rights and the US's refusal to concede the principle of cabotage, or the right to carry passengers within the US, serve no purpose other than to shield local airlines from competition.

Foreign ownership

There are two further issues: Heathrow access and foreign ownership. Whatever US airlines believe, Heathrow is congested. There is some scope for increasing the number of slots available, although such a move could face furious local opposition. The two governments need to study together how to find more space at Heathrow. US airlines might have to accept that, even under a liberal regime, building a position at the airport might take some years.

Foreign ownership presents different problems. Airlines from each country would like to invest in carriers in the other as a cheaper way of obtaining beyond or cabotage rights. The UK does not have the power on its own to raise the EU limit on foreign ownership of airlines above the present 49.9 per cent. The US government can, however, commit itself to winning legislative approval for lifting its own limit to the EU level. Removing limits entirely could then be left to negotiations between the US and the EU.

Further ahead, there is no reason in principle why aviation should be different from any other global industry, free from carve-ups between countries or trade blocs. Real open skies between the world's two biggest aviation powers would be an excellent start.

Power to Mr Lebed

The spectacle of Russian troops gradually withdrawing from the half-ruined city of Grozny is a tribute to the remarkable, if precarious, achievements of Mr Alexander Lebed, Russia's national security chief, in negotiating a possible end to the disastrous Chechen war.

Whatever the final outcome of his efforts, he has already proved that there is nothing inevitable about the region's slide into endless bloodshed and misery. With the right mixture of boldness and pragmatism, the stand-off between Chechnya's unyielding rebels and Russia's reluctant soldiers can be defused. If all goes well, military disengagement will create an environment in which the issue of Chechnya's future can be resolved – or at least finessed – in a civilised way. The proposal under discussion for a referendum on sovereignty in five years' time offers one way of achieving this.

So far at least, the tough-talking officer has disappointed those rivals in the Kremlin who hoped his assignment to handle the conflict would be a poisoned chalice. He has also managed to hold back those hardliners in the Russian security forces who favour a massive counter-attack on the rebels who seized much of Grozny three weeks ago.

Given that such an offensive could hardly be mounted without compounding an already appalling civilian death toll, the city's hard-pressed residents have reason thank Mr Lebed. But with Mr Boris Yeltsin, the president, virtually absent from public affairs and giving oddly conflicting signals, it is still unclear who will prevail.

Credible peacemaker

Every previous attempt to end the blood-letting has been cynically sabotaged. Yet Mr Lebed has already established himself as a more credible peacemaker than anybody else who has tried to play that role. He has established a sound working relationship with the rebel leaders, having gained their trust by dismissing the pro-Moscow Chechens who nominally wield power as irrelevant puppets. This has encouraged the feeling that if anyone can bring peace to Chechnya, it is Mr Lebed.

The fact that peace hopes focus so heavily on one person has its disadvantages. Because of his high profile, Mr Lebed has had to contend with the jealousy of fellow doves, as well as outright opposition from hawks. There is a suspicion that moderates like Mr Anatoly Chubais, the presidential chief of staff, and Mr Victor Chernomyrdin, the prime minister, would not welcome a peace deal that boosted Mr Lebed's prestige.

Practical objections

Nor, indeed, should the west be starry-eyed about Mr Lebed's reasons for favouring an end to the war. His objections are not so much moral or legal as practical: the war is a disastrous distraction from the task of refashioning Russia's army into a smaller but more effective fighting force.

If western leaders were really as cynical as Russian nationalists believe, they might be tempted to fold their arms and let the Chechen war rage on, confident that it would drain Moscow's ability to make trouble in other regions.

But the reverse also applies. By pressing for an early end to the war, and underlining their support for Mr Lebed's peace efforts, western governments can make it plain that they do not regard a revived, self-confident Russia – free of the Chechen millstone – as threatening or undesirable. This point should be made as forcefully as possible by Mr Helmut Kohl, German chancellor, who has fared better than Mr Lebed in gaining access to the elusive Russian president and will meet him next week.

At times, western leaders have hesitated to comment on Russia's internal affairs for fear of embarrassing their supposed friends. But they should not hold back from telling Mr Yeltsin of their support for Mr Lebed's peace efforts. After all, Mr Lebed is in no danger of being branded a western stooge.

The FT Interview · Ferdinand Piëch

Relentless driver of change

The chairman of Volkswagen tells **Haig Simonian** his strategy for raising the efficiency of Europe's largest carmaker

Mr Ferdinand Piëch, chairman of Volkswagen, Europe's biggest carmaker, has a reputation as the rottweiler of the world motor industry. Subordinates summoned to his panoramic offices overlooking the smokestacks of the company's vast Wolfsburg plant in Lower Saxony often leave without their dignity. Some depart without their jobs.

Of the 10 members of VW's management board when Mr Piëch moved over in 1993 from running the company's Audi subsidiary, only one remains. One, Mr Ulrich Seiffert, VW's former head of research and development, has the dubious distinction of having been sacked twice.

Such relentless change is part of Mr Piëch's drive to transform VW from Europe's least efficient car manufacturer into its best. "I'm about 25 per cent of the way," he says.

Volkswagen ranks not far behind General Motors and Toyota in the global league table of carmakers. Last year it built 3.24m cars – almost 10 per cent of the private vehicles made – under four brands: VW and Audi in Germany, Seat in Spain and majority-owned Skoda in the Czech Republic. Outside Europe, it vies with GM as the biggest carmaker in south America and it is uncontested leader in China.

But half the group's output comes from its six plants in Germany which account for 95,000 employees – 60 per cent of the total workforce. It is the inefficiency of VW's core German manufacturing activities which have marred its performance. Wolfsburg, built in the 1930s to produce the original "people's car", is the biggest single plant, with 45,000 employees and focal point of the problem.

But attempts to cut jobs and introduce flexible working are opposed by Germany's trade unions – with the backing of the state government of Lower Saxony, which owns 20 per cent of its shares. Even rottweilers, it seems, can be muzzled.

'No factory in the world has made as much progress on efficiency with unions and management intact as Wolfsburg'

Ferdinand Piëch

Despite this, Mr Piëch can point to some achievements. This year's first-half results showed a strong recovery in net profits which nearly tripled to DM282m (£123m). Sales in mostly lacklustre markets, were up almost 14 per cent to DM50.5bn – a rise well ahead of most of its competitors. In the first seven months of this year, the group's share of the west European market reached a record 17.4 per cent.

Such buoyancy prompted a company prediction that full-year profits would exceed last year's DM336m. Yet the pre-tax margin VW earns on its activities remains a paltry 1.8 per cent – about a third the margin at Mercedes-Benz, another overstaffed German carmaker, which makes more profitable luxury cars. "VW has a number of unresolved problems not least of which is its staff overhang in Germany," says Ms Sabine Blümel, motor industry analyst at IMI Sigeco, an Italian investment bank in London. To reach his goal of almost quadrupling margins by 2000, Mr Piëch is rationalising VW's model range. The aim is to reduce the number of basic engineering structures (platforms) built at the group's factories worldwide from 16 to just four. Although the number of platforms will fall, each will be designed to accommodate a variety of styles – allowing VW to produce cars to suit each brand and regional subsidiary.

This "platform strategy" should reduce development costs and offer big savings on production engineering. The economies of scale in making larger quantities of similar vehicles should also cut spending on components.

"Rationalising the platforms is the single most important part of the strategy. Then you start to get the benefit of volumes," says Mr Piëch.

Already VW's new Passat upper-medium car, launched this week, has much in common with the highly successful Audi A4 small executive model produced in late 1994 as the first in the new strategy. Although outwardly very different, the two share engines, brakes and hundreds of smaller components. "About 90 per cent of the things which aren't noticeable are the same. The remainder, which define the car's character, are different," says Mr Piëch. "Both feel completely dissimilar."

The full benefits will not come through until 1998, when all VW's new generation of smaller cars and most of its bigger, upper-medium-sized models will be designed around two platforms. "These are the profit carriers for the group," he says. When complete, the process should save about DM3bn a year.

With fewer platforms to make, the extent of the group's overstaffing in Germany will become an increasing problem. To preserve jobs, VW's unions agreed in 1994 to a four-day week for the then 50,000 Wolfsburg workers. The unorthodox approach was later extended to the end of next year. But the unions have refused to consider involuntary redundancies – supported indirectly by local politicians from all parties.

Mr Piëch argues VW and its unions have been quietly making its German plants more efficient away from the glare of publicity. VW's group headcount in Germany fell by 2.9 per cent in the first half of 1996, continuing a gradual but steady erosion. Wolfsburg and the other German plants have also become more flexible, he says.

Even the relatively labour-intensive third-generation Golf has benefited from the efficiency improvements instigated by Mr Piëch. In the past four years, the time taken to build it has been reduced from 42 to 30 hours.

The smaller Polo is now made at Wolfsburg in half the 28 hours previously taken (admittedly after a model change). A new, smaller urban car, which could be released before the end of the year, is expected to take just seven hours to build.

"No factory in the world has made as much progress on efficiency with unions and management intact," says Mr Piëch. He says that in efficiency terms, Wolfsburg is in the middle of the European league table. "I want to make it the best."

Outside Germany, Volkswagen is at the forefront of innovations such as modular manufacturing and outsourcing, says Mr Piëch. New plants in the Czech Republic and in Brazil transfer work from assembly-line staff to cheaper components suppliers. At Skoda's new Octavia factory at Mlada Boleslav, for example, 13 important groups of components, such as the dashboard, come ready-assembled from suppliers.

Much of this is influenced by Mr José Ignacio López, VW's purchasing and production guru whom some car analysts see as a pioneer in redefining the way vehicles are built. Mr López was recruited from General Motors in the US three years ago in a legal row in which the US company accused him and associates who moved to VW of taking allegedly secret documents.

Mr Piëch declines to comment on the unresolved court battle in Germany and the US with GM. "We are confident the judges will decide correctly, wherever they are," says Mr Piëch.

But whatever the influence of Mr López, outsourcing and modular construction remain taboo at Wolfsburg. "It is true VW has more insourcing in Europe and more outsourcing abroad," says Mr Piëch. "But there is no patent solution."

For now, VW's subsidiaries abroad will be used to pioneer unusual cars or novel production techniques. "What works well can be carried over to the rest."

And he believes it will be possible – eventually – to implement the newly gained knowledge at Wolfsburg. "You must explain through discussion: we have structural problems; we must solve them together. What doesn't work with such partners is to surprise them."

A key to success in such persuasion may be the greater competition Mr Piëch has introduced between VW's brands and plants. Last year, the group surprised its German workers by marketing a four-door version of the Polo, called the Polo Classic. It is in fact a lightly modified Seat Cordoba saloon made in Spain and sold in Germany as a VW.

Such rivalry will reach greater proportions when VW's new car and engine factories in the former Communist east Germany come on stream. The new factories at Mosel and Chemnitz – at the centre of a row between the European government and the state government of Saxony over investment grants – will produce much the same cars and engines as VW's older German plants. Wages and conditions, however, will be "appreciably lower" than at Wolfsburg.

Mr Piëch ducks direct questioning about greater internal competition in the group. But he makes clear future models from Wolfsburg will have to meet precise productivity standards to ensure investment.

The rottweiler, it seems, may be getting its way with a bark, rather than a bite. "The influence of our big shareholder and the unions on us is well-meaning; it was not always so," he says. "They understand what must be changed. We have looked together for a way to solve our problems without publicity. I already have some flexibility in the factory."

· OBSERVER ·

Pussycats get cream

■ George Simpson will not take easily to finding himself at the centre of the latest UK ding-dong over executive pay. A quiet, personable and clever chap who is prone to colour up at the slightest hint of embarrassment, he seems a much cuddlier fat cat than some.

But the bulging bag of swag and shares awaiting the mild-mannered Scottish accountant at General Electric Company means he may get a rough ride from some shareholders at next Friday's annual meeting.

An annual package worth up to £1.5m puts Simpson ahead of most colleagues in the engineering sector, though not that far, given the £1.3m that went last year both to Sir Christopher Lewinton at TI Group and Greg Hutchings at Tomkins.

But if the fur really is going to fly over the latest case of alleged corporate misgovernance, both GEC and Simpson could do worse than cite yesterday's Labour Research document which identifies hundreds of UK company directors earning far more than Simpson for running far smaller businesses.

If investors still insist on playing fat cats, Simpson can always show some claws. He could start by reminding Prudential Corporation, GEC's biggest shareholder, about problems earlier this year over its own executive bonus scheme – considered a mite too munificent by some institutions.

No collect call

■ For tens of thousands of obliging Italian and Spanish women, waiting for the urine collector to call could soon be a thing of the past.

Their donations – the 60m litres required this year would fill two, Olympic-sized swimming pools to overflowing – have for years been picked up by drivers on behalf of Ares Serono, a Swiss company which purifies the urine for use in Metrodin HP, a hormone used in fertility treatment.

Having collected from 170,000 post-menopausal volunteers – nuns are once said to have ranked among obliging donors – special containers are rushed to processing plants for purification.

But the vintage years will soon be over, despite yesterday's approval by the US Food and Drug Administration for the drug to be sold in the world's most important market.

Metrodin HP still needs urine as a raw material, but it is the last of its kind to do so. Now obliging women are to be superseded by genetically altered cells which can mass-produce the required hormone in factories.

At that point, demand for their contributions simply dries up.

Understated

■ Half a century after the US told the 167 inhabitants of Bikini Atoll that it was moving them temporarily from their island for "the good of mankind and to end all world wars", a decision has been made to deal with the polluted topsoil that was the product of the 23 atomic and hydrogen bomb tests that followed their departure.

A ceremonial earth-turning has been pencilled in for November to herald the arrival of the bulldozers which will remove up to 38cm of the polluted soil.

Since their "temporary" evacuation, the Bikinians and their descendants have hardly been back.

Packed off initially to a neighbouring atoll 201km away with little water and food, they were shipped in 1958 to an even more inhospitable destination and vitalled courtesy of the US. In June 1968, President Johnson declared it was safe for them to return home. Seven years later, someone had second thoughts, and off they went again.

Islanders chose the bulldozer route in preference to the suggestion of a chemical treatment to eliminate the dangerous radioactive cesium 137. "After all that has happened to them, the Bikinians do not trust experiments like that," said Jack Niedenthal, the Bikini Island liaison officer.

Small change

■ Italian lira notes – with their many zeros – can easily be mistaken for Monopoly money, but this is getting ridiculous.

A colleague this week used the automatic teller machine in the lobby of Banca Commerciale Italiana's head branch in Rome. Out popped a single L100,000 note, worth roughly £40. Few bars are willing to change such large denomination notes, so the customer tried to change it for smaller notes at the bank's counter. Only to be told the note was counterfeit – another statistic for the Bank of Italy, which discovered more than 72,000 phoney banknotes last year.

Privatised just over two years ago, Banca Commerciale Italiana has been a disappointment for shareholders. But surely it's not in such trouble that it needs to print its own cash – as Banco di Napoli, now being salvaged after losing L3,200bn last year and L1,100bn in 1994, did until 1926.

The Financial Times

100 years ago

Franco-Japanese treaty
The new treaty between France and Japan provides for the abolition of the extra-territorial jurisdiction in Japan and for the establishment of the most-favoured nation treatment between the two countries. France thus adopts the course adopted originally by England and subsequently by Germany, the United States, and other countries.

50 years ago

Palestine Finance
The increase of money in circulation owing to military expenditure and Jewish capital import, plus the immigration after 1933 of security dealers, has led to the development in Palestine of an important securities market. The main centre for this is Tel-Aviv, where dealers meet daily at the office of the Anglo Palestine Bank in order to establish official prices for a number of securities. The total value for these securities amounts to about £14 millions of which £5 millions represents Palestine Government bearer bonds, £3 millions other bonds and £5.5 millions in Preferred and Ordinary shares.

Besides this official market, there is an outside market in Government bearer bonds in which there is considerable speculation owing to the lottery attached to them.

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FINANCIAL TIMES
Thursday August 29 1996

'Historic' moment for South African economy

Black shareholders in biggest ever asset deal

By Roger Matthews in Johannesburg

The biggest ever transfer of assets to black shareholders in South Africa was signed in Johannesburg yesterday.

Anglo American, the country's largest conglomerate, has agreed to sell most of its nearly 48 per cent stake in Johnnic, a diversified industrial and media group, to the National Empowerment Consortium (NEC).

NEC represents black business interests and trade unions. The arrangement is expected to give the consortium control of Johnnic. Mr Cyril Ramaphosa, who headed the negotiations for the NEC, said it was a historic moment for the black community.

"Those who have previously been disadvantaged are now brought to centre stage of our country's economy," he said. Mr Ramaphosa, a former secretary general of the ruling African National Congress, left parliament in May to become executive deputy chairman of New Africa Investments, South Africa's biggest black company, which recently joined NEC.

The consortium has bought an initial 20 per cent of Johnnic at a cost of just over R1.5bn ($365m). The R50 a share paid represents a nearly 7 per cent discount on Johnnic's average price over the last two months.

The partners in NEC had initially sought a 20 per cent discount on the sale. NEC also has an 18-month option to purchase additional Johnnic shares, at a 5 per cent discount, to raise its holding to 35 per cent.

A further 6 per cent of Johnnic's shares will be offered through NEC on a retail basis to smaller members of the consortium and others within the black community. Johnnic's assets include substantial minority stakes in leading companies, such as South African Breweries, Toyota South Africa and Times Media, owner of the weekly Financial Mail and the business daily, Business Day. Anglo's total stake in Johnnic is valued at over R4bn.

Mr Ramaphosa said he was confident members of the NEC would have no problems in raising the funds for the initial purchase, and it might even be oversubscribed.

Mr Nicky Oppenheimer, deputy chairman of Anglo American, said the deal augured well for seeing wealth creation more widely spread.

Mr Ramaphosa said NEC had given undertakings to Johnnic staff about continued employment by the group. NEC also confirmed it would maintain editorial independence for the newspapers and magazines it will acquire through Times Media.

See Lex

Major faces further strife over EU beef export ban

By Caroline Southey in Brussels, George Parker and Alison Maitland in London

Mr John Major, the UK prime minister, faced the prospect of renewed civil war inside the Tory party over Europe last night, after EU officials warned of inevitable delays in the lifting of the ban on British beef exports.

EU officials said the framework for lifting the ban agreed at the Florence summit in June would have to be revised in the light of new evidence on the possible spread of BSE, or mad cow disease, from mother to calf and from cattle to sheep.

Conservative Eurosceptic MPs yesterday said they were prepared to shatter the British government's fragile truce over Europe, unless the EU started to lift the ban by November.

The British government revealed earlier this month that BSE could be transmitted from cow to calf. In addition, evidence has emerged suggesting the disease could be transmitted to sheep.

Mr Major promised in June that measures would be in place by November to combat BSE and thus to secure a lifting of the EU ban.

Tory Eurosceptics have interpreted the November target as a firm deadline for a lifting of the ban, after which they warn they will resume their hostilities towards Brussels.

Mr Bill Cash, MP for Stafford, said he and his colleagues would press for a resumption of Britain's non-cooperation policy with the EU, and the possible boycotting of the Dublin heads of government summit in December if the ban was not lifted by the target date.

One EU official predicted member states would be stricter in their interpretation of the Florence agreement in the light of the new evidence.

There are also concerns about Britain's ability to implement the terms of the agreement, particularly as a comprehensive cull of British cattle underpins the deal.

"A number of member states are concerned about the way the UK has acted on the plan so far. There has not been a great deal of progress," said a Dutch official.

The controversy over culling cattle is heightened today with research predicting the BSE epidemic in the UK will virtually disappear by 2001 without any cull.

In Nature magazine, scientists at Oxford University predict there will be 6,950 new cases of BSE between 1997 and 2001, compared with over 160,000 cases to date.

One slaughter option would involve killing up to 44,000 animals to prevent about 1,490 of the 6,950 projected cases.

Kohl urges Yeltsin to end war in Chechnya

By Chrystia Freeland in Moscow and Michael Lindemann in Bonn

Mr Helmut Kohl, German chancellor, yesterday urged Mr Boris Yeltsin to end the "terrible suffering" in Chechnya in a telephone conversation with the secluded Russian president, and announced he would visit Russia next week.

But the nudge from Russia's best friend and most generous bankroller in the west was not enough to secure an unambiguous presidential endorsement of the peacemaking efforts of Mr Alexander Lebed, head of Russia's security council.

Mr Kohl, who unstintingly supported Mr Yeltsin's successful re-election bid this year, will have an opportunity to press his case on September 7, in talks expected to focus on the Chechen conflict.

Mr Yeltsin's spokesman said the planned summit was evidence that the president, who has retreated to an elite government dacha some 100km from Moscow, "is in rather good physical condition".

Mr Kohl's third visit to Russia this year should give him a chance to evaluate that assertion personally and to judge the relentless rumours about Mr Yeltsin's health which have plagued Russian politics since the president's abrupt disappearance from public life in mid-June.

Although Germany is Russia's most faithful western ally, it has also been one of the most outspoken critics of the 20-month war in Chechnya. During yesterday's telephone conversation Mr Kohl urged the Russian president to "put an end to [the Chechen] conflict as soon as possible".

To build a lasting peace upon the foundations of the ceasefire Mr Lebed negotiated last week, many Russian politicians say the former general needs the open backing of Mr Yeltsin, who this month made the security chief his envoy to Chechnya. But instead, Mr Yeltsin's press spokesman said only that the president had yesterday given Mr Lebed and other relevant Russian authorities "a number of orders" aimed at "consolidating the peace process".

That lukewarm support was enough for Mr Lebed to make plans to return to Chechnya later this week for further talks on a political deal with the separatist fighters who control most of the republic.

Yet while Mr Lebed appears to have won the trust of the Chechen separatists, Russian and foreign leaders publicly worried yesterday that the security chief's peace mission could be sabotaged by rivals in the Kremlin who fear that a successful deal could make Mr Lebed Russia's next president.

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Thai bank

Continued from Page 1

sales and a price war in the first half of this year, Shanghai-Ek Chor expects to double production to 1m units by 1997. The company aims to produce between 1.5m and 2m units by 2000.

CP Group will also lead a group of Thai investors in building a $300m shopping centre in Pudong specialising in food products.

Sweden unsure on Emu

Continued from Page 1

denied they had shifted from their fundamental support for Swedish membership of Emu.

They said they wanted to stimulate a full public debate on the issue before a vote on Sweden's position in parliament in October next year.

"Persson and Asbrink are keen to avoid a 'No, Never' decision," a senior government adviser said. "They want to keep open the door to persuading people." Further complications arise from the fact that the SDP relies on the small anti-Emu Centre party for its governing majority, and that joining Emu could require a change in the constitution.

Emu opponents could then force a referendum by mustering a one-third block in parliament – a vote the pro-Emu camp could easily lose.

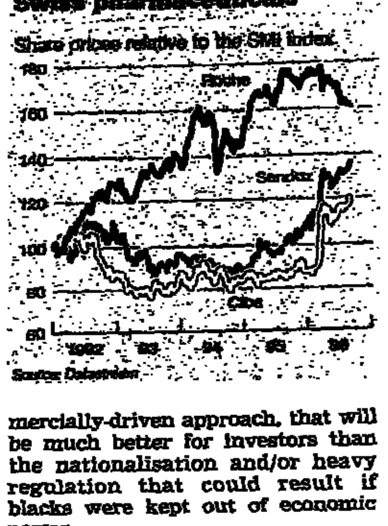
THE LEX COLUMN

Tankan troubles

The Japanese economy is staggering around like a Tokyo salaryman after drinking too much *sake*. Yesterday's gloomy *tankan* survey of economic prospects suggests the spectacular growth recorded in the first quarter of this year has ground to a halt. The biggest worry is that confidence among large manufacturers is declining again. Companies' capital spending plans are still increasing, but more and more of that investment is going abroad. Hitachi announced last week that it would shift production of video recorders and camcorders to Malaysia. Even if the government agrees another supplementary budget, GDP growth will struggle to exceed 3 per cent in 1996. Next year, as the fiscal stimulus declines and a higher consumption tax bites, it could slow to 1.5 per cent.

The silver lining to such an anaemic recovery is that a rise in interest rates now looks highly unlikely this year. That is good news for the bond market, though its longer-term prospects remain overshadowed by the government's need to finance a growing deficit. For equities, however, stable rates will bring little comfort if growth stagnates again. With foreign investors on a buying strike, the stock market looks stalled.

FT-SE Eurotrack 200: 1735.6 (+8.7)



South Africa

It is dangerous to be ruled by people who have no stake in the economy. That was the rationale for Anglo American giving the Afrikaners a stake in South Africa's mining business in the 1960s. The same rationale underpins the long-awaited sale of part of its industrial holding company Johnnic to black investors. Whites still command the economic heights, but without blacks gaining a substantial foothold, the future for business will look increasingly unsustainable.

The R1.5bn ($365m) deal is symbolically important. It is not the first such "empowerment" deal, but it is the biggest. Moreover, it is the first to involve Anglo American, the country's premier industrial group. The immediate practical effect on how Johnnic's blue-chip interests are managed is likely to be limited, as the trade union-backed consortium has won influence rather than operational control. The consortium may yet seek to gain control of some of Johnnic's assets. But even if the empowerment process eventually leads to a somewhat less commercially-driven approach, that will be much better for investors than the nationalisation and/or heavy regulation that could result if blacks were kept out of economic power.

Swiss pharmaceuticals

Switzerland's big drug companies have not distinguished themselves in the first half of 1996. Reported sales growth, cost savings and margins at Ciba, Sandoz and Roche all came in at the low end of expectations – and below the best levels achieved by their international peers. For Ciba and Sandoz that does not matter. US regulatory approval for their merger to form Novartis should come soon. And the two companies hinted yesterday that the promised SFr1.8bn of cost savings would accrue more swiftly than expected when their pairing was announced in March. In return, the accompanying restructuring charge will exceed the original SFr2bn estimate. But, as far as investors are concerned, the deeper and quicker the cuts, the better. The combination of substantial cost savings and an improving drugs pipeline should allow Novartis to increase earnings by 15 per cent a year until the end of the century.

The prospect of such juicy growth has led the new company to dislodge Roche from its pedestal as the market's darling, and rightly so. Roche's compound growth is likely to be closer to 10 per cent, as heavy investment to build up its general sales force will hold back margins this year and next. And fully 30 per cent of interim profits came from financial items, which are unpredictable and opaque. Roche's dislike of hostile bids is well known. But pressure for a corporate move of some sort is mounting.

Hanson

The demerger of Imperial Tobacco and Millennium Chemicals reveals little evidence of hidden value in their parent, Hanson. Millennium talks of bid approaches and share buy-backs. The reality will be less exciting. Takeovers are unlikely, given a poison pill defence and the burden of the chairman's contractual pay-off, and share buy-backs are a distant prospect, given its £1.3bn of debt. A valuation of 30p per Hanson share looks fair.

Imperial looks more attractive. It is extraordinarily efficient and offers prodigious cash flow and steady growth. Nonetheless, UK margins are declining and the abolition of intra-European duty free sales in 1999 could hurt profits. Poor sentiment towards tobacco stocks will also taint valuations, even though Imperial is unaffected by US litigation. A range of 38p to 42p per Hanson share looks reasonable, depending on bid expectations. But Philip Morris and Gallaher would probably be prevented from buying Imperial on monopoly grounds, while BAT Industries would prefer to have Gallaher.

Hambros

Hambros has long looked ripe for a break-up bid. On most calculations, the venerable merchant banking group's shares trade at a big discount to the sum of its parts. Its hotchpotch of different businesses – estate agency, insurance loss-adjusting and various niche operations in addition to mainstream merchant banking – do not obviously hang together. Nor has the portfolio delivered good returns: hence, the 40 per cent under-performance of its shares since the start of 1994. So it is perhaps fitting that it has attracted the attentions of Hong Kong-based Regent Pacific, a fund manager with a track record of picking on poorly-performing investment trusts. Regent itself does not have the firepower to launch a bid. But it will probably be hoping either to force Hambros to break itself up or put it into play. The group will have to come up with some good arguments to avoid such fates.

Additional Lex comment on W H Smith, Page 14

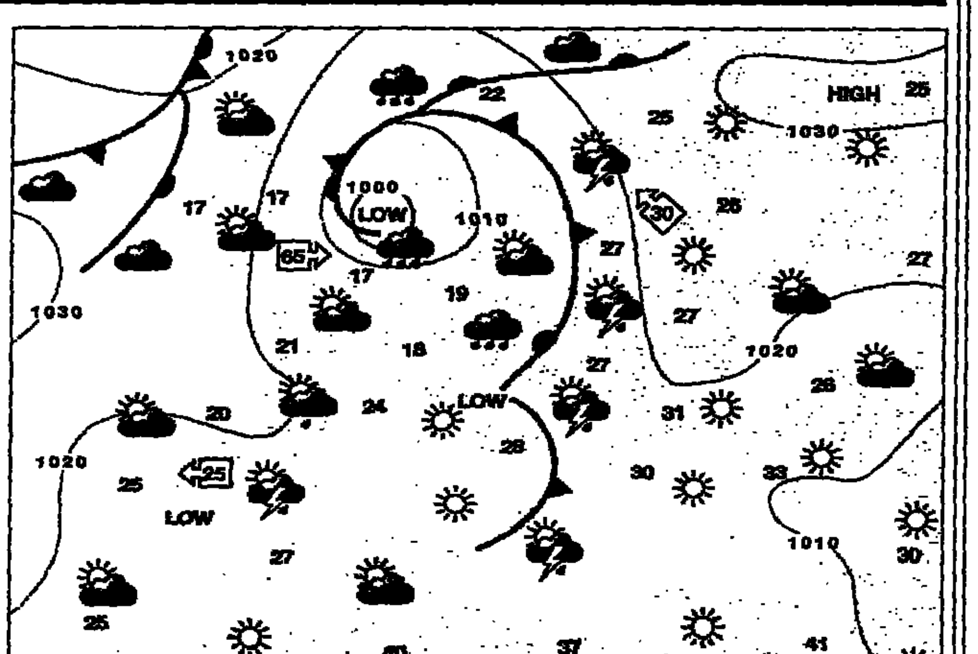
FT WEATHER GUIDE

Europe today

Most of the British Isles will have sunny periods, except for south-east England where it will be windy and wet. Westerly gales will accompany heavy rain in the Benelux. Rain is also expected in southern Sweden and Norway. Denmark and north-eastern Germany will have sunny spells. Thunder showers will follow a front moving eastwards through eastern Europe and the western Balkans. Patchy sun is expected in France with showers in the south. Thunder storms will affect eastern Spain. Southern Spain, Portugal and central Italy will be sunny.

Five-day forecast

Showers are expected to continue in the British Isles. Winds will weaken in the Benelux, but showers will persist. Thunder storms will affect eastern Europe, the Balkans, southern Italy and eastern Spain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	fair 28	Caracas	fair 31	Faro	sun 26	Madrid	fair 26	Rangoon	shower 32
	Celsius	Belfast	fair 17	Cardiff	fair 18	Frankfurt	shower 19	Majorca	thund 25	Reykjavik	rain 10
Abu Dhabi	sun 40	Belgrade	sun 27	Casablanca	sun 25	Geneva	fair 19	Malta	sun 32	Rio	fair 28
Accra	fair 27	Berlin	fair 20	Chicago	sun 26	Gibraltar	sun 26	Manchester	fair 17	Rome	sun 28
Algiers	fair 29	Bermuda	shower 28	Cologne	rain 16	Glasgow	fair 18	Manila	thund 33	S. Frsco.	sun 21
Amsterdam	rain 15	Bogota	fair 20	Dakar	fair 31	Hamburg	thund 18	Melbourne	shower 14	Seoul	shower 24
Athens	sun 30	Bombay	rain 29	Dallas	fair 32	Helsinki	fair 22	Mexico City	fair 18	Singapore	shower 31
Atlanta	fair 31	Brussels	rain 16	Delhi	sun 35	Hong Kong	fair 32	Miami	fair 33	Stockholm	shower 22
B. Aires	sun 23	Budapest	thund 22	Dubai	sun 39	Honolulu	fair 33	Milan	fair 24	Strasbourg	fair 19
B.ham	fair 18	C.hagen	fair 19	Dublin	sun 17	Istanbul	fair 27	Montreal	cloudy 20	Sydney	fair 18
Bangkok	shower 34	Cairo	sun 33	Dubrovnik	thund 26	Jakarta	fair 31	Moscow	sun 25	Tangier	sun 25
Barcelona	thund 23	Cape Town	fair 21	Edinburgh	sun 17	Jersey	fair 18	Munich	fair 19	Tel Aviv	fair 32
						Karachi	fair 33	Nairobi	fair 20	Tokyo	rain 27
						Kuwait	sun 46	Naples	sun 28	Toronto	sun 23
						L. Angeles	sun 26	Nassau	fair 32	Vancouver	fair 23
						Las Palmas	sun 27	New York	fair 30	Venice	shower 25
						Lima	cloudy 19	Nice	sun 25	Vienna	thund 20
						Lisbon	sun 25	Nicosia	sun 35	Warsaw	thund 25
						London	cloudy 19	Oslo	rain 20	Washington	sun 30
						Lux.bourg	rain 15	Paris	fair 20	Wellington	fair 12
						Lyon	fair 20	Perth	cloudy 20	Winnipeg	fair 30
						Madeira	sun 26	Prague	sun 20	Zurich	fair 17